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HCV: WHERE ANGELS FEAR TO TREAD..

OCTOBER 2022

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WHY RENASA, ROGER?


BECAUSE THEY HELP US OUTCOMPETE OUR COMPETITORS, ARCHIE!

EMPLOYEE BENEFITS AND RETIREMENT

Employee Benefits and Retirement goes hand in glove. Our contributors tackle this, diversification, death benefits and everything affecting old age income.

HCV: WHERE ANGELS FEAR TO TREAD..

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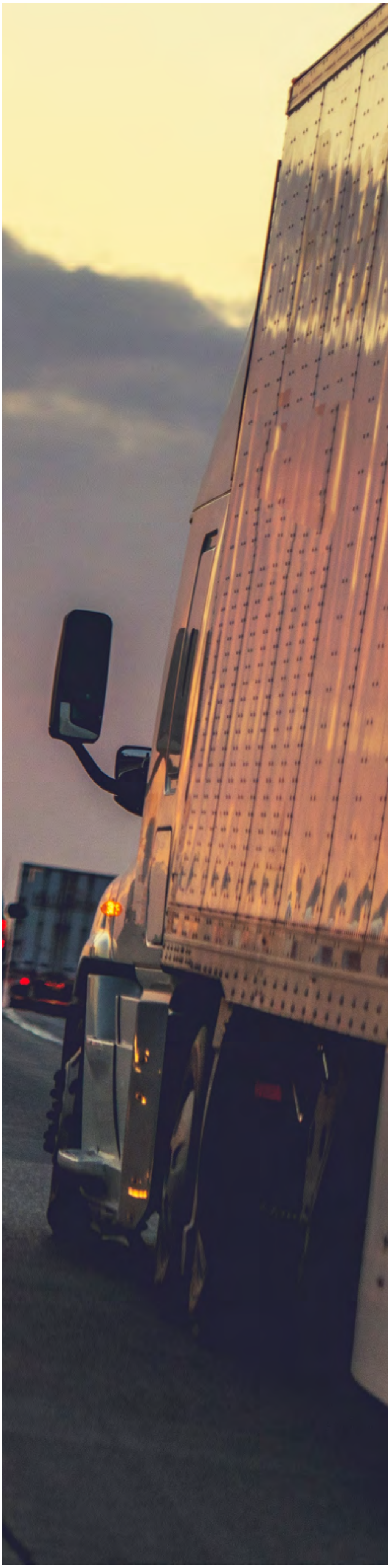


Editor’s Note

HCV: WHERE ANGELS FEAR TO TREAD..

Old age income. We have all heard, over the past 20 years, that only 6 to 7% of people in South Africa can retire financially secure. That needle has not moved. I believe we are looking at two completely different worlds.

The 6% on the one side, where we provide our solutions and professional advice and the other 94% that we are simply not catering for. Sadly, I have not seen the solutions yet.

Our feature this month is an indication of the reality. Our second feature is on HCV insurance. Our contributors unpack the troubling environment this industry has to navigate. Enjoy the read.

TONY: EDITOR IN CHIEF

EMPLOYEE BENEFITS AND RETIREMENT

" To understand the outcome-based investing philosophy and the benefits thereof for retirement fund investors, one must understand the belief system behind it "

- EUGENE BOTHA, MOMENTUM INVESTMENTS

WHAT TO KNOW ABOUT

PRESERVATION FUNDS

You've just landed a new job and you have handed in your resignation. Now you need to move your retirement savings (in a pension fund or provident fund) from the employer that you are leaving.

Obviously, you want to protect and grow these savings. Preservation funds offer one of the best solutions to allow your hard-earned retirement savings to grow and be protected.

Your existing retirement savings need to be cared for even while you continue to work and build more retirement savings with your new employer or through your private retirement annuity. Remember to think carefully before you steal these savings from your future retirement by cashing it in now.

Whenever you have the option to withdraw from an employer's approved pension or provident fund, you can transfer your withdrawal benefit into a pension preservation fund or a provident preservation fund.

HERE IS WHAT YOU NEED TO KNOW ABOUT THIS IMPORTANT DECISION

What is a preservation fund and how does it help you?

A preservation fund offers a flexible way to retain and grow your retirement savings when you leave an employer. They were specifically designed for these exact purposes, to help you protect and grow your retirement savings when you change jobs. In simple terms, a preservation fund is a type of retirement savings fund that focuses on the growth and protection of savings that may no longer be held in an occupational fund (a pension or provident fund).

The Glacier Personal Portfolios Preservation Funds offer the following benefits:

- Continued growth: Your retirement capital is preserved and may continue to grow. Your investment options to help you grow the capital amount are very wide on the Glacier platform. At retirement, you can easily transfer your retirement savings to a retirement income product, such as a living annuity or a conventional life annuity.
- Protection: Your retirement savings in the preservation fund will be protected against creditors.
- Tax efficiency: No tax is payable on the growth of your capital in this fund (interest, dividends or capital gains).
- Access to your money: You can choose when to retire from this fund as long as your chosen date is after age 55. You can make one withdrawal before retirement. Although a withdrawal may not be advisable, you may withdraw all your money or part thereof.

"The Glacier Personal Portfolios Preservation Funds offer you continuity, protection, tax benefits and access to your money."

CONFIDENT INVESTING FOR RETIREMENT

The Glacier Personal Portfolios Preservation Funds offer you continuity, protection, tax benefits and access to your money. With a minimum lump sum of R100 000, you can invest for growth in a way that suits your unique financial circumstances and tolerance for risk. Practice caution though, it is not ideal to make any investment decision without the help of an appropriately authorised financial adviser. Your retirement savings are a critical step to a confident future and should last as long as you live. Investing your hard-earned savings must be done with the help of a professional.

For more information on the range of Glacier Preservation Funds, visit Glacier Insights.

ARE WE PAYING TOO MUCH FOR GROUP INSURANCE?

VIRESH MAHARAJ

Executive for Strategy & Customer Experience at Alexforbes

GROUP INSURERS WERE THE UNSUNG HEROES

The Covid-19 pandemic caused substantial social, personal and economic struggles across South Africa with the long-term effects of the loss of lives and livelihoods still being felt. In the desperate times of the cascading waves of Covid-19, South Africa's life insurers, and especially group insurers of employee-based schemes, played a critical role in ensuring financial inclusivity by providing insurance coverage to claimants.

Such group policies provided financial assistance to thousands of families who suffered the loss of their loved ones during the pandemic. Group insurers mobilised to remain operational without any substantial disruption as they switched to serving clients under work-from-home constraints. Record levels of claims were processed and claims were paid. South Africa must recognise the role that these insurers played in ensuring financial resilience and stability through the pandemic for the funds, employers and members they serve. But, there have been unintended consequences.

INSURANCE PREMIUMS INCREASED DRAMATICALLY

Group insurers rapidly adjusted their pricing formulae to allow for the incredible uncertainty delivered by the anticipated and experienced record levels of claims. Insurance prices increased with most (if not all) group schemes now paying substantially more for their cover than they did before the pandemic … some are paying more than double!

This made sense when the likely future experience was unknown and claims were escalating at never-seen-before rates. Benefit consultants such as Alexforbes and the industry at large understood the need for the increases and supported their implementation to protect the interests of the millions of members who depend on the group insurers for protection.

DEATH CLAIMS HAVE GREATLY REDUCED

The Association for Savings and Investment South Africa (ASISA) released a media statement on 28 July 2022 indicating that the claims levels under the fourth wave have reduced to near pre-pandemic levels. Weekly death statistics from the Medical Research Council also show that the mortality rate in South Africa during the fifth wave during 2022 was close to the “normal” range. For individuals younger than 60 years (the vast majority of members covered by group insurance), mortality has been in the “normal range” even during the fourth wave at the end of 2021.

Yet, group insurers have been reluctant to waiver on their pricing despite the:

- Higher certainty on the impact of the pandemic
- Widespread availability of effective vaccines
- Substantially reduced lockdown requirements that signal a return to normal

COVID-LEVEL PRICING IS NO LONGER RELEVANT

There remains necessary conservatism on potential future mutations of the virus that require mitigation through pricing. However, prices remain seemingly excessively elevated as they reflect pandemic expectations of death claims to surface but the actual claims have greatly reduced. Group insurance is typically renewable annually, so prices are set primarily with a one-year horizon in mind.
Interestingly, insurers have not adjusted pricing for annuity rates when providing longevity protection, with the general view that the mortality experience will return to the “normal” long-term trajectory. And annuity rates apply to the age group that are most at risk in respect of Covid. So why has the same approach not been taken for group risk rates?

Insurers also seem to be applying substantial weighting to the elevated pandemic claims experience to price cover for the year ahead, which may unduly prejudice paying customers by being unnecessarily cautious. If so, the insurers will benefit from massively increased profits as a result of Covid-level pricing that may no longer be relevant to the detriment of their paying customers. This matters because, for most members, every rand spent on group insurance is a rand less invested for their long-term retirement aspirations. Therefore it is absolutely critical that group insurance be priced both sustainably and competitively so that members can receive fairly priced insurance coverage and optimise their retirement savings.

MOST UMBRELLA FUNDS HAVE INSURERS AS SPONSORS

Standalone retirement funds have rapidly consolidated into commercial umbrella funds for most of the past decade. Four of the five largest commercial umbrella funds have insurers as sponsors. They can apply substantial influence at board level to drive business towards their own insurance companies either by limiting the number of insurers available through their umbrella funds or implementing structures to dissuade placement at other insurers.

FUNDS MUST BE HARDER ON EMPLOYERS

A provident fund is empowered to take legal action against employers who fail to pay contributions. It is not enough to only send letters to employers pointing out non-compliance. This was said by the Pension Funds Adjudicator Muvhango Lukhaimane in a matter where a complainant claimed an employer had failed to pay contributions for four years.

Voltampere Electrical and Mechanical Engineering (Pty) Ltd had failed to pay provident fund contributions on behalf of the complainant to the Metal Industries Provident Fund. The complainant submitted that the employer last paid contributions in September 2018 whilst continuing to deduct same from his salary. In its response to the Office of the Pensions Funds Adjudicator, the fund submitted that contributions were received on the complainant's behalf for the period January 2012 to June 2018 and September 2018. Contributions were outstanding for the period July 2018 to August 2018 and October 2018 to date.

The total outstanding contributions were R192 305.13 for the period July 2018 to August 2018 and October 2018 to March 2022.The fund's administrator submitted that it notified the director of the employer and all parties concerned regarding the outstanding contributions.

Despite letters being sent, the employer had not paid the outstanding contributions. The fund also said the employer had signed an Acknowledgement of Debt with the fund's attorneys but had since defaulted. The matter was referred back to the attorneys to enforce legal action against the employer.

Although the employer was granted an opportunity to respond to the complaint, no response was received. In her determination Ms Lukhaimane said on the evidence submitted, the employer owed provident fund contributions for the period July 2018 to August 2018 and October 2018 to date. Therefore, the employer was in contravention of section 13A of the Act and rule 8 of the fund.

"It is not enough for the fund to just say that it sent non-compliance letters to the employer. The fund has a duty to take further steps which includes notifying the employees of the employer regarding the non-compliance and taking legal action against the employer."

She said Section 13A (6) of the Pension Funds Act placed the duty on the fund to monitor and ensure that the employer complied with payment of provident fund contributions. Regulation 33(4) of the Act required the monitoring person indicated in Section 13A (6) of the Act to bring the infringement of Section 13A(2)(b) to the attention of the members of the fund in respect of whom the contributions are payable and the Financial Sector Conduct Authority ("FSCA") must be advised of the action taken.

Regulation 33(5) states that if any failure to transmit contributions continues for 90 days, the monitoring person shall report the matter to the FSCA.

"It is not enough for the fund to just say that it sent non-compliance letters to the employer. The fund has a duty to take further steps which includes notifying the employees of the employer regarding the non-compliance and taking legal action against the employer," said Ms Lukhaimane.

The employer was ordered to pay to the fund the amount of R192 305.13 for the period July 2018 to August 2018 and October 2018 to March 2022.

ALIGNMENT TO RETIREMENT

To understand the outcome-based investing philosophy and the benefits thereof for retirement fund investors, one must understand the belief system behind it. The premise is that people need help investing (and staying invested) their money, but also remaining aligned to the investment objectives and tenors of delivering on these objectives. This is especially true when it comes to retirement fund investing.

To achieve these goals, we focus on clients' preferences, biases and behaviours that could undermine their financial success. Bad decisions are often the result of a lack of or misinterpretation of information, which is a major shortcoming in traditional investing. People tend to overreact in periods of volatility and get complacent when market volatility is dampened, which generally coincides with upward-trending markets.

By assisting clients to invest according to their unique retirement needs in a way that encourages them to look beyond intermittent market volatility, we believe we are helping them invest for long-term success. That is how we make investing personal. Our approach ensures clients keep their eye on the ball by using the right measures to continually make sure they not only understand the end goal (the destination) but have an updated map of how well they are doing on the way to get there (the journey).

Building a retirement nest egg is one of the most common investing goals early on in life. When you are investing for retirement, your investment strategy could be much more aggressive – with a focus on growth – than it would be during retirement.

Outcome-based investing does not only focus on the long-term element of retirement fund savings, as the five to seven years before and after your retirement date are crucial in determining your retirement success or failure. If a client has been diligently saving and investing, it may be prudent to transition towards a more focused investment strategy during this time frame, which is directed at preserving purchasing power of the money accumulated

in a way that is designed towards matching the post retirement income strategy. This should be properly defined in the client objectives set. The benefit of an outcome-based strategy is that the investments can be aligned accordingly, ensuring a seamless and painless journey, before and after retirement.

KEY BENEFITS OF OUTCOME-BASED INVESTING

What happens if, before you retire or shortly after, a market climate like the financial crisis of 2008 occurs? This will not only affect your total wealth accumulated, but also your sense of security in retirement.

Therefore, an investment strategy that is designed towards retirement goals both in accumulation phases and purchasing power preservation phases, where the focus on preservation should not solely be on capital preservation but also on preserving purchasing power post retirement, are key aspects and benefits of an outcome-based investing strategy for retirement funds. As clients approach retirement, transitioning from a growth to a purchasing power preservation investment construct and having a strategy aligned to beyond the retirement date can really contribute towards some peace of mind. As part of the outcome-based investing philosophy and approach, we continually monitor success versus the stated objectives and formulated plan, and re-calibrate the solution where needed to ensure we meet clients' needs robustly. This is another way in which we make investing with us, personal.

This effectively means that rather than focusing solely on investment returns, outcome-based investing is orientated around the clients' needs and risk appetites. In an outcome-based investment setting, the usefulness of an investment strategy is not measured by traditional standards like market indices, benchmarks and standard deviation, but rather on how effectively the investment strategy tracks the retirement goals.

Outcome-based investment strategies are designed to help achieve clients' retirement goals in the most robust and predictable way possible. Consequently, returns are measured by clients' progress toward achieving their stated retirement goals and the most meaningful measure of risk is then the failure to fully achieve each goal.of the single biggest causes for downtime for the second consecutive year.

THE PROTECTION OF PENSION BENEFITS

Naheem Essop, Senior Legal Advisor at OPFA

One of the many benefits of saving your money in a pension fund is the protection that the relevant legislation offers to you as a member of a pension fund.

One of the many benefits of saving your money in a pension fund is the protection that the relevant legislation offers to you as a member of a pension fund. The Pension Funds Act, 1956 expressly protects your benefits from being reduced, transferred, or otherwise ceded, or of being pledged or hypothecated, or be liable to be attached or subjected to any form of execution under a judgment or order of a court of law. These protections are provided subject to certain limited exceptions that are expressly contained in the Act such as the provision for housing loans granted against the value of your pension interest.

Pension fund benefits may not be subjected to any form of execution under a judgment or order of a court of law. One of the permitted exceptions to this provision is that a judgment debtor whose financial position is to be determined in terms of section 65 of the Magistrates Court Act, may have not more than three thousand rand per annum from their pension benefit considered for that purpose. Another exception is where a member has been subjected to an order under the Maintenance Act. Here, the legislature deemed it necessary to ensure that a member prioritises the current needs of their dependent children over retirement savings.

A further exception ensuring that the tax man is always paid, is the Income Tax Act which also provides an exception to the general rule allowing for the protection of pension benefits. The Act also provides a specific protection of pension benefits against insolvency.

It states that if the estate of any person entitled to a benefit payable in terms of the rules of a registered fund (including an annuity purchased by the said fund from an insurer for that person) is sequestrated or surrendered, such benefit or any part thereof shall not be deemed to form part of the assets in the insolvent estate of that person and may not in any way be attached or appropriated by the trustee in his insolvent estate or by his creditors, notwithstanding anything to the contrary in any law relating to insolvency. The protection against insolvency too has an exception that subjects it to any housing loan benefit that may have been provided by your pension fund and the provisions of section 37D.

Section 37D provides that a fund may make certain deductions from pension benefits. The permissible deductions are:

- Tax payable to the SARS;
- Amounts due in terms of a housing loan benefit;
- Compensation to an employer for damages caused to the employer by a member in respect theft, fraud, dishonesty or misconduct by the member and in respect of which the member has in writing admitted liability to the employer, or judgment has been obtained against the member in any court, including a magistrate's court;
- Subscriptions and premiums due to a medical aid or long-term insurer, or for any purpose approved by the FSCA; and
- Any portion of the benefit awarded to a non-member spouse in terms of a decree of divorce.

Except for what has been stated above, there are no other circumstances under which deductions may be made from your pension benefit. A recent example that has come to light is that of loans, other than housing loans, granted to a member by their employer. An employer may not instruct a pension fund to deduct a student loan or any other type of loan (except a housing loan) from your pension benefit.

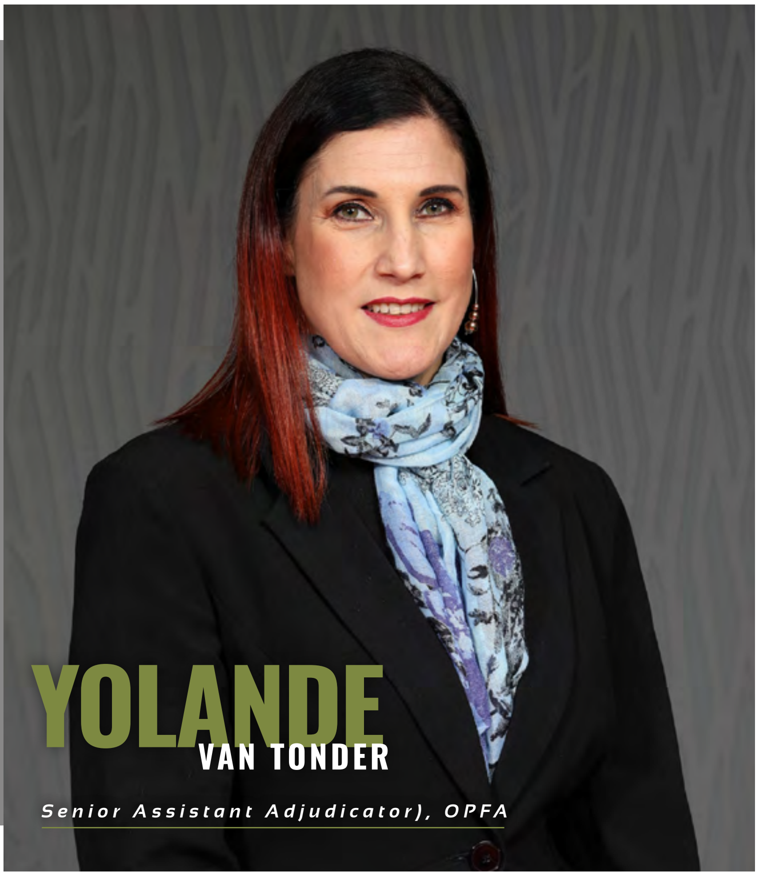
Such an instruction would be illegal as it is contrary to the provisions of the Pension Funds Act. It remains illegal irrespective of whether it is done with your consent or not. The prohibition against deductions from pension benefits applies equally to so-called "voluntary deductions" and "involuntary deductions". The Act specifically provides that your pension benefit is not capable of transfer, cession, pledge or hypothecation.

All of these acts are voluntary acts and so it follows that even voluntary deductions are impermissible. There is also a further express provision in section 19(5B)(a) of the Act that provides that notwithstanding anything to the contrary contained in the rules of a registered fund, such a fund shall not, directly or indirectly grant a loan to, or furnish a guarantee in respect of, a member or make any of its funds available, whether by way of an investment or otherwise, to be utilised in any manner by the fund or someone else for a loan to a member or a guarantee on behalf of a member, other than for the purposes of a housing loan benefit.

Members should be aware of their rights and the protections that are afforded to them in terms of the Act. If they experience any issues, they are welcome to lodge a complaint with the Office of the Pension Funds Adjudicator at:

Online: www.pfa.org.za
Email: enquiries@pfa.org.za
By hand: Office of the Pension Funds Adjudicator, 4th Floor, Block A, Riverwalk Office Park, 41 Matroosberg Road, Ashlea Gardens, Pretoria

DEATH BENEFITS AND BENEFICIARY FUNDS?



Boards of pension funds must often decide between whether to pay a benefit that is due to a minor beneficiary directly to their guardian or whether the benefit should be paid into a beneficiary fund.

Boards of pension funds must often decide between whether to pay a benefit that is due to a minor beneficiary directly to their guardian or whether the benefit should be paid into a beneficiary fund. The payment to the guardian is often made as a lump sum whereas a payment into a beneficiary fund will result in the guardian receiving monthly payments deducted from the lump sum that is invested by the beneficiary fund.

The discretion afforded the board of management of a fund to make payment of a death benefit to a beneficiary fund is provided for in terms of section 37C of the Pension Funds Act. As with all discretion, the board of a fund must have a rational basis for its decision. In other words, the decision that it makes must stem from the information that has been placed before it.

In terms of the Children's Act, a parent who acts as guardian of a child must administer and safeguard the child's property and property interests. The payment of the minor child's benefit to her or his legal guardian should be done in the ordinary course of events unless there are cogent reasons for depriving the parent of the duty to take charge of her minor children's financial affairs and the right to decide how the funds due to the minor should be utilised in the best interests of the minor child.

The following four factors need to be considered when determining whether to pay to the guardian, namely:

- The amount of the benefit;
- The qualifications (or lack thereof) of the guardian to administer the monies;
- The ability of the guardian to administer the monies; and finally
- The benefit should, as far as it may be practical, be utilised in such a manner that it can provide for the minor until he attains the age of majority.

The Childrens Act requires that in all matters concerning the care, protection, and wellbeing of a child, the standard that the child's best interest is of paramount importance and must be applied. Section 7 of the Children's Act provides for factors that must be taken into consideration when determining the best interests of the child which includes the capacity of the parents, or any specific parent, or of any other caregiver or person, to provide for the needs of the child.

In instances, where the board has decided to depart from the ordinary route of effecting payment of the benefit directly to the minor's legal guardian, it will have to show the existence of good grounds giving rise to an apprehension that the guardian will fail to fulfil her or his duty (Ramanyelo v Mineworkers Provident Fund, [2003] 7 BPLR 4894 (PFA) at paragraph 14 and 15). There have been very few reported cases dealing with the circumstances under which a guardian should be deprived of the right to administer monies on behalf of her or his minor children.

In Van Rij NO v Employers' Liability Assurance Corporation Ltd 1964 (4) SA 737 (W), the mother of the minor child had been appointed as his curator ad litem as the whereabouts of the father were unknown. The then Supreme Court made a damages award in favour of the minor child but the Court was not satisfied that the guardian was competent to handle monies on behalf of the minor child.

Accordingly, it appointed a trust company to handle the proceeds on behalf of the minor child, until he attained the age of majority. The approach of the Court was that since the guardian was not competent or qualified to administer the proceeds of the award, the benefit was placed with a trust company. This approach of determining when to deprive a guardian of the right to administer monies on behalf of a minor child was approved by the Appellate Division in Woji v Santam Insurance Co Ltd 1981 (1) SA 1020 (A).

Therefore, there is a duty on the board of management of a fund to investigate the guardian's capacity to administer the money on behalf of the minor child before it decides to pay the benefit into a beneficiary fund. It is only in cases where there is reason to believe that it would not be in the best interest of the minor child to pay the benefit to his/her guardian, that the fund may decide to pay the benefit into a beneficiary fund.

INCREASING ACCESS TO A GLOBAL STAGE

In the February 2022 budget speech Finance Minister Enoch Godongwane announced the further relaxation of exchange control with retirement funds being able to increase their offshore exposure to 45% from the 30% limit that was previously in place. This presents an opportunity for both institutional focused funds and retail investors to increase their offshore exposure.

MIKE ADSETTS

Deputy Chief Investment Officer at Momentum Investments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About our CPD Portal
THE NETSTAR CPD HUB

South African equity markets make up a small part of global markets (less than 1%) and increasing offshore exposure therefore has the benefit of opening up portfolios to a far greater set of investment opportunities. Global portfolios have a greater number of investable shares and other assets to invest in, they can be diversified across geographies and sectors, some shares will be far more specialized in a particular sector or sub-sector than what we have locally, and there are industries to invest in that are not represented in the South African market.

Of course, there are risks which should be considered. The greater universe of investments and funds by sheer number can be daunting and before an investment is made it is important to have a clear understanding of what and why you are making it. The bigger range of investment opportunities and investment returns means that the range of potential outcomes and returns across portfolios will also be much greater.

Currency risk is another material consideration that a financial adviser and the investor must consider. As we have learned over the years, the rand is not a one-way bet and there are periods where the currency strengthens and weakens for periods of time.

Most South African investor's liabilities are rand based. This means that you always need to consider the impact of currency volatility and generally when making an allocation to offshore assets – the greater the allocation, the longer the client's investment horizon or duration should be. This is so that the effect of currency volatility does not overwhelm the returns that are achieved from the underlying shares and other investments.

Typically, we have found that an offshore exposure of around 40% is reasonable. This takes into account a reasonable investment duration, the need to achieve real growth and outperform South African inflation (a proxy for local liabilities and their growth) and also that South African companies already derive a significant portion of their earnings from global markets.

The other benefit at a 40% level is it allows for some tactical variation of the offshore exposure. If there are better opportunities globally, you can increase the exposure (without risking breaching the regulatory limit) as well as reduce the offshore exposure when local market show better value. Currently we believe that SA markets represent better value and as such there has not been a significant increase in offshore exposure in our portfolios at Momentum Investments.

This view is shared across the investment industry. When the current global geo-political, inflation and growth risks pass, we fully expect that the general offshore exposure in funds will increase. Another consideration for an adviser and their clients is how to access the offshore portfolio. Within funds, the ultimate exposure will be determined by the asset manager as defined in their mandate. The benefit of this is that the portfolio is managed by an investment professional and the decision is their responsibility.

"The greater universe of investments and funds by sheer number can be daunting and before an investment is made it is important to have a clear understanding of what and why you are making it."

There are also feeder funds, rand-denominated unit trusts that invest offshore but are bought and sold in rands. Another approach is to invest in hard currency funds, a full externalisation of assets where you invest into portfolios in foreign currencies, typically US Dollars or other currencies.

The world of offshore investing can seem quite daunting, but doesn't have to be. To cut through the complexity, Momentum Investments has a world class portal to address all your offshore investment concerns, challenges and even share best practice. Visit our Global Matters portal for independent views on offshore investment advice, legislation and top-of-mind matters to structure and get your clients to their investment goals.

ARE SA LIVING ANNUITANTS FROGS

IN BOILING WATER?

The boiling frog metaphor stems from the belief that if you put a frog in a pot of boiling water it will instantly leap out. But if you put it in a pot filled with tepid water and gradually heat it, the frog will remain in the water until it boils to death. It is a metaphor for people's inability to react to significant changes that occur gradually.

THE CRISIS OF UNSUSTAINABLE RETIREMENT INCOME

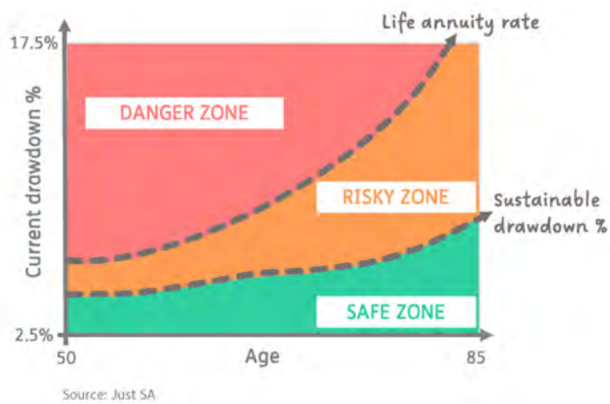
We have not yet seen the crisis of unsustainable retirement income manifest, but it's coming. The first living annuity was issued in the early 1990s which means more and more living annuity investors will be moving beyond their average life expectancy every year. The 1990s cohort of living annuity investors will start to live beyond their life expectancy in this decade.

When this happens, the risks associated with pure living annuities will be exposed. Living annuitants carry their own risk of money running out before they do. And where annuitants can't afford to (or don't) draw an income at a sustainable level to last beyond their average life expectancy, they face increased risks.

HOW DRAWDOWNS MAP TO IDENTIFIED ZONES

At Just SA, we can identify living annuitants who are most at risk of outliving their savings. To do this we analyse their current living annuity drawdown in relation to the FSCA draft recommended drawdown rates and the rates of a new-generation life annuity.

The latter is considerably more, given that this is determined to provide on average a higher income for life. The former is lower as it is effectively self-insurance, which means drawing less to ensure the income is sustainable. The three identified zones are the danger zone, risky zone and safe zone.



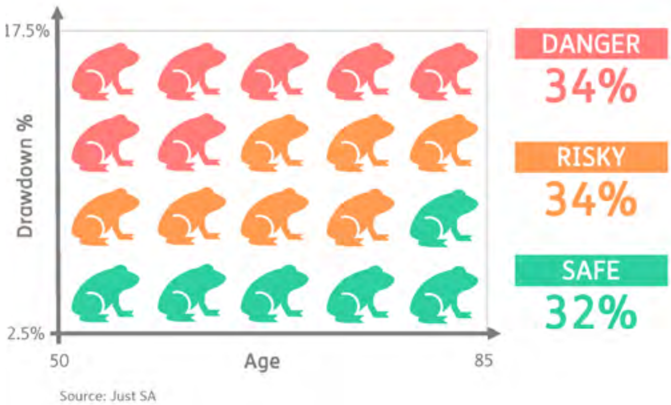
Danger Zone: Unsustainable drawdown, meaning living annuitants who are drawing more than the income a life annuity can offer a major risk of running out of money.

Risky Zone: Potentially unsustainable drawdown, meaning living annuitants who are drawing more than their recommended drawdown rate, but less than life annuity income rate a material risk of running out of money.

Safe Zone: Sustainable drawdown, meaning living annuitants who are drawing less than their recommended drawdown rate for their age – an acceptable risk of running out of money.

WHICH FROG ARE YOU?

Since 2019, Just SA has analysed such scatterplots for more than 17 000 living annuitants. These showed that the average drawdown is 8.5% per year, with 32% in the Safe Zone, 34% in the Risky Zone, 34% in the Danger Zone. Essentially a third of living annuitants in each zone.



HOW DRAWDOWN MAPS TO AN OPTIMAL RETIREMENT INCOME SOLUTION

Living annuitants with high, unsustainable drawdown rates (in the Danger Zone) can mitigate the risk of running out of money by incorporating a switch to a lifetime income portfolio and prolong their living annuity assets. However, even in a blended annuity, those drawing the maximum (or close to it) will still need to consider lowering their drawdown rates to avoid depleting their flexible assets and having to rely solely on guaranteed income from a life annuity.

Those in the Risky Zone will benefit most by switching from a pure living annuity to a blended living annuity. A blended annuity allows investors to get a secure level of income from the life annuity portfolio, allowing them to maintain their current drawdown level but effectively to draw much less from the living annuity assets.

This means the overall income sustainability is vastly improved, and a more aggressive investment strategy can be followed on the liquid portion to better maximise returns. Even those with very low drawdown rates (Safe Zone) can seek to improve their retirement outcome with a blended annuity as a diversifying asset class.

Don't be the frog who doesn't realise the water is boiling until it's too late!

SHORT TERM INSURANCE

"Farmers are a key component of food security, and we therefore share in their risk."

- KOBUS STAPELBERG, KING PRICE

2022 INSURANCE STATE OF THE MARKET

SOUTH AFRICAN MARKET TRENDS

In its 2022 Insurance State of the Market report, Aon South Africa unpacks key global insurance market trends as well as local trends that are affecting the insurance market in a volatile and unpredictable world. The myriad direct and indirect impacts related to the unfolding geopolitical events in Eastern Europe have been profound and are expected to continue as rising commodity prices fuel inflationary pressures, decreased demand dampens global trading and global supply chains suffer further disruptions.

Insurers, looking to manage volatility, have already begun modifying coverage terms and conditions including those related to cyber, terrorism, sanctions and war, pandemics as well as coverage territories. At the same time, business challenges and new risks continue to emerge from climate change and environmental, social and governance (ESG) pressures, talent/skills shortages, struggling economies and socio-political unrest. Large-scale losses due to natural catastrophes loom large and are adversely impacting lives and businesses.

" Insurers, looking to manage volatility, have already begun modifying coverage terms and conditions including those related to cyber, terrorism, sanctions and war, pandemics as well as coverage territories. "

Some of the key market trends covered in Aon's State of the Insurance Market include:

Pricing: Rate increases continued in Q1 but have decelerated across large portions of the market, becoming generally modest, with the key exceptions of cyber as well as higher-risk sectors, and risks with adverse claims experience.

Limits: Limits have stabilised as portfolio mandates have become less prevalent. Adjustments were made in Q1 on a case-by-case basis.

Retentions: Retentions/deductibles have broadly stabilised, although increases applied in Q1 to trending loss areas and poor performing risks. In addition, minimum deductibles have been applied to designated business sectors. Insureds continue to explore deductible options to help offset premium costs.

Coverage: Coverages have broadly stabilised, except in targeted areas including Sasria, cyber, terrorism, war and sanctions (particularly those relating to Ukraine, Russia and Belarus).

Capacity: Capacity has expanded in some areas and stabilised across most lines with the key exceptions of cyber and natural catastrophe-exposed property. Property insurers may write down capacity based on valuation increases.

Underwriting: Underwriting rigor continues to increase. Insurer appetite broadened in some growth-focused targeted areas, although this remained limited in nature as insurer caution related to bottom lines continues. Quality underwriting information remained a key enabler of superior renewal outcomes.

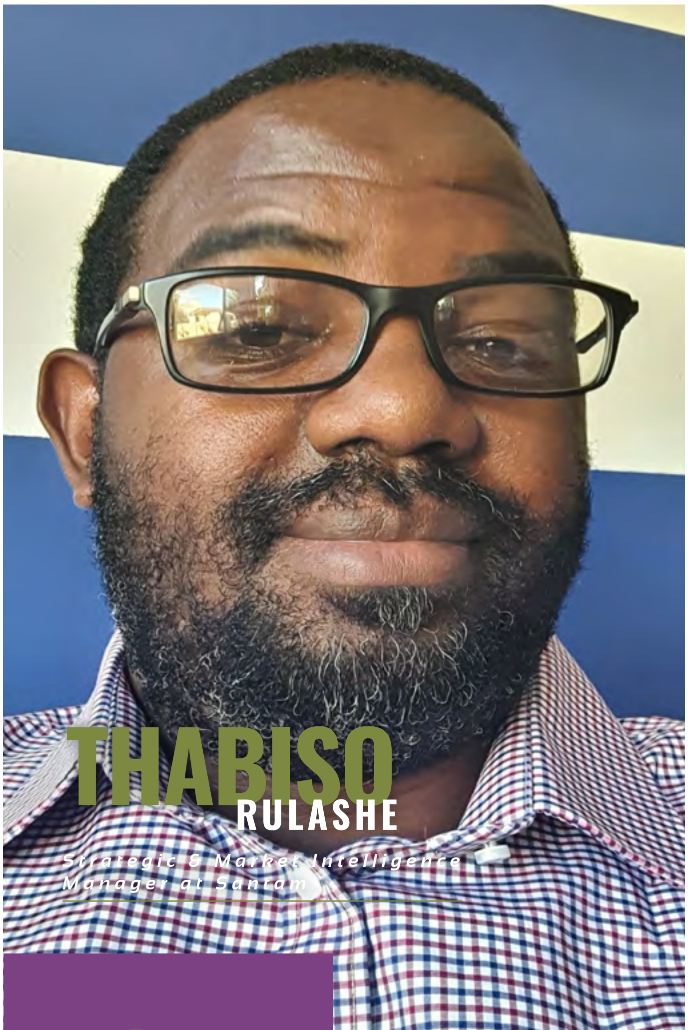
Claims: Information requests can be onerous, and timelines can be challenging. Insurers, adjusters and other role players have been placed under a tremendous burden due to the volume of claims arising across multiple lines of coverage.

Challenging and unpredictable market conditions combined with emerging risks previously not considered have refocused buyers on the value, structure and overall cost of their insurance programme. The makeup of risk transfer is evolving. In most cases, buyers will be faced with decisions around how to manage an ever-expanding and complex risk transfer need. It has never been more important to focus on the Total Cost of Risk (TCOR) rather than risk transfer or premium cost.

Download the Aon South Africa 2022 Insurance State of the Market report Here

ESG IN THE INSURANCE INDUSTRY

IS IN ITS INFANCY



THABISO RULASHE
Strategic & Market Intelligence Manager at Santam

BUT STRONG STRIDES ARE BEING MADE

The insurance industry is still in its infancy when it comes to most environmental, social and governance (ESG) concerns. While there's much work to be done, the two are a marriage made to last for insurance to meet its mandate to make a meaningful contribution in people's lives.

Right now, it's about embedding a strong ESG framework and agenda, and working with all stakeholders, in particular the regulator and reinsurers.

The management of risk has always been a cornerstone of insurance. Insurers have always viewed strong governance as key part of understanding and pricing of risk. Managing stakeholders' expectations has and continues to be a key element in doing business.

However, in the last 24 months, Covid-19 and the 2021 United Nations Climate Change Conference (COP26) really brought ESG to the fore (accelerated), especially in terms of people management, climate change and regulatory requirements.

COVER

In some ways the insurance industry is quite advanced, but in others the industry is in its infancy especially in terms of its response to climate change and biodiversity loss. There's a lot of understanding that needs to come around the 'E' of ESG, especially.

In South Africa, where the broader ESG landscape is in its elementary stages, a balanced approach is best. Some choices are obvious for example, taking a business off the books that participate in criminal activities. Other incidents are far less obvious, for example, opting to exclude companies that deal in fossil fuels.

It's a difficult call to say you won't support these companies because South Africa is in dire need of energy and by excluding fossil fuel producers, you're potentially jeopardising the economy – and people's lives and livelihoods. I think it's important that insurers take a measured approach. Insurers, at the heart of it, are risk managers, so should guide their clients on the journey to improve their risk behaviour.

CAN ESG OVERSIGHTS CAUSE LOSSES TO BUSINESSES?

From reputational and talent risk to financial risk, ESG impacts can be extremely costly. A lack of governance in an organisation may be indicative it doesn't take other aspects seriously. In an age where employees want to work for businesses that take care of society and the environment, this could mean top talent chooses other opportunities. On the other side, ESG-led companies should benefit from better pricing, they're taking a holistic view in terms of how they can better manage their risk. This behaviour should be incentivised. We're not there yet but, maybe one day, hybrid car manufacturers and eco-efficient building developers could receive cheaper premiums.

During Covid-19, people who didn't drive a lot could apply for reduced premiums. Their risk reduced and so did their carbon emissions. Their policies were changed accordingly. So, this kind of principle should apply.

HOW INSURERS CAN INTEGRATE ESG-LED PRACTICES

Four steps for insurers to take:

1. **Be ultra-transparent:** Insurers need to report accurately to their stakeholders on the impact of ESG on their performance and other related aspects.
2. **It must be led from the top:** Leaders must take accountability for implementing and driving strong risk management strategies aligned to positive ESG outcomes.
3. **It should be independent:** Ideally, ESG management requires independent oversight from board members. With strict, sometimes quite cumbersome regulatory requirements, it makes sense to have a dedicated person and team driving the agenda. Going forward, ESG will likely be audited, receiving the same level of scrutiny as an organisation's financial data. It must be taken seriously.
5. **It should be part of the culture:** Board and management teams need to show diversity, disclose remuneration, and how votes happen. Any unethical behaviour must be dealt with swiftly and decisively across the whole value chain, including suppliers.

In addition, insurers need to fully appreciate the evolving ESG risk landscape. Insurers have a meaningful, influential role to play in championing ESG. Part of this means making some big decisions about whether to participate in certain key risks.

For example, a business can make the call to exclude any organisation involved in human rights violations or environmental degradation. On a more positive note, maybe an insurer takes proactive steps to include organisations that are ESG-led, and accelerate renewable energy adoption, for example. It's about operationalising ESG.

Insurers need to be creative and innovative to come up with solutions that make policies more accessible and affordable. ESG, ultimately, should be a great thing for insurance, because it enhances the societal and risk management role moving forward.

At Santam, we are proud to be driving ESG at every level of our business, from our Partnership for Risk and Resilience, which promotes disaster preparedness in vulnerable municipalities, to our internal employee value proposition and governance structures. For us, ESG is an integral part of doing insurance, good and proper.

HOW THE 'E' IN ESG IMPACTS D & O LIABILITY INSURANCE

Environmental Social Governance (ESG) and Corporate Social Responsibility (CSR) concerns are becoming increasingly challenging for the professional services and wider insurance industry and have the potential to cause damage to reputation and brand to those companies providing advice or risk services to select industry sectors.

The growing emphasis from various stakeholders on material Environmental, Social and Governance (ESG) factors, including cybersecurity, climate and human capital, are driving companies and their boards to re-evaluate their disclosures and board practices.

A D&O LIABILITY UPDATE RELEASED BY AON HIGHLIGHTS SOME OF THESE IMPORTANT DRIVERS AS FOLLOWS:

- An expectation exists for organisations to improve transparency around ESG matters that includes strategy, implementation and ongoing progress.
- Large investors also expect companies and their boards to be able to articulate their ESG strategy and provide an overview of developments in the space.
- Regulations are playing an increasingly prominent role from both a local and international perspective, requiring public companies to report on material factors that are driving and impacting its ESG strategy in both quantitative and qualitative terms.
- Human capital management - and Diversity, Equity & Inclusion (DE&I) more specifically - has been a primary focus for institutional investors and shareholders, including addressing DE&I in the boardroom.


PARTNERSHIP
THERE ARE ELEMENTS OF RISK IN EVERYTHING

- Continuous education on these evolving topics is key for directors and the C-suite alike to stay on top of material risks and demonstrate a level of sophistication during critical exchanges with underwriters, investors and the like.

As global losses from natural disasters, cyber breaches/hacks and liability lawsuits continue to increase on an annual basis, the insurance industry is beginning to formalise its approach to incorporating ESG factors into the underwriting process across lines of business, particularly influencing outcomes in the Directors' & Officers' Liability (D&O) insurance market.

SPOTLIGHT ON THE 'E' IN ESG

Evolving stakeholder interest and new-pending regulations are triggering the need to develop and disclose climate risk/opportunity strategies. Underwriters are also looking for more transparency and accountability from current or potential policyholders, irrespective of industry classification or company size. Publicly traded companies may even experience negative consequences if not prepared to address the company's climate impact and its risk management and disclosure plans.

Those entrusted to the leadership and direction of companies are expected to understand the impact of its operations on the environment and climate change, as well as how future climate change may impact the business overall. As a result, there must be consideration of developing risk management strategies and establishing communication strategies that includes, but are not limited to:

- Understanding current carbon footprint/ emissions.
- The impact of climate change on the ability to do business.
- Setting a realistic value chain plan for greenhouse gas (GHG) reduction.
- Protecting against incidents that can be harmful to the environment.
- Water and land use.
- Waste or pollution from business operations.
- Biodiversity and impacts on sensitive habitats.

The cover that a D&O liability insurance policy provides is an absolute necessity when it comes to the protection of the personal assets of directors, officers and other employees that are charged with supervisory and managerial responsibilities, who can be held liable for wrongful acts which may occur in their day-to-day management activities of the business or entity – and CSR and ESG fall very much within the ambit of these management activities. The main purpose of a D&O policy is to offer financial protection for investigation and defence costs together with awards for a valid claim.

Every company is unique. In developing a robust ESG strategy, companies must understand the expectations of all stakeholders, applicable regulations and the risks deemed material to it business. Taking this approach will help enable your company and your D&O broker to better engage with insurers and seek to secure a strong and sustainable insurance programme.

THE UNLIMITED POTENTIAL OF SOUTH AFRICA

Kevin Dixon , Chief Growth Officer and Sean Wright, Head of Distribution at The Unlimited spoke to us about insurance distribution , inclusivity and specifically about The Unlimited distribution and product models .

Tony: Why do you think insurance penetration in South Africa is so low?

Sean: There are three main drivers. The first one is accessibility to insurance, particularly in the rural areas outside of the major metros, where access to insurance products is not that wide. Secondly, affordability. There is a lot of pressure on our lower income South Africans. Affordability is not getting any better and people have tough decisions to make.

Then the third is education. There is a lot of work to do educating South Africans around how insurance products can help them in times of need and what the benefits of having insurance products are.

Tony: If we look at the rate of penetration and the vast number of people that are not covered by insurance. We have a huge problem with unemployment, which cancels out some of the market, other than very small types of cover that come with things like a cell phone.

How would you describe the unserved or underserved market that we could get to, but we have not done enough to get there yet?

Sean: The underserved market is the low-income market where the need for insurance is greatest. Like you mentioned, it is down to affordability. What we have seen is that people want these products. There is a massive demand for these products, but at the end of the day they cannot afford them. Then, as mentioned above, it is the market outside metros.

Tony: In terms of products and distribution channels, which models and products do you think are most suited for getting to the more underserved part of the market?

Kevin: At a product level, if I had to start there, the market that does not have medical aids and have a need for access to good medical care. We have a very broad range of products, starting with gap cover and all the way down to basic hospital cash cover. So, if somebody is not able to work as they are in hospital, they need to pay their bills and they need to cover their expenses.

So, the hospital cash health products are needed in that market. Furthermore, the reality of life is that you can lose breadwinners in a family. You can lose loved ones and being able to provide for your family in those situations is incredibly important. Death products and funeral products, particularly in the market that we are talking about, are very relevant insurance products.

In the context of getting better and doing more to get those types of products into the markets, we have focused on the communities mentioned above. The Unlimited started as a direct sales business 28 years ago, predominantly face to face, where we go into the community, and we sell face to face.

We have been incredibly successful at accessing an entire range of markets, but particularly the market we are talking about, because we can go into those communities. We can help people overcome some of the education barriers and talk them through what the cover is, why they need the cover, how it works. That helps people really put their minds at ease.

That has been a highly successful sales channel for us in terms of accessing the low-end communities or communities outside of the big built-up Metro areas. Then we find call centres and telesales are equally successful, with access across the range.

Tony: Do you find that through call centre distribution, you can achieve that?

Kevin: Absolutely, we spend a lot of time making sure we craft our scripts clearly. We put our agents through an extensive amount of training to be able to answer customers questions. We are particularly conscious of this when we build products for the tele sales businesses, that they are very simple to understand. We spend a lot of time making sure our customers and consumers are clear on what they are buying, and we can answer their questions.

Tony: One of the great things about the way that you do it, you create a huge amount of employment and not just employment, people are creating businesses that employ people in turn. Do you think that is sustainable with the onslaught of direct and insurtech?

Sean: That is something that we are very proud of at The Unlimited, our direct sales model and the way we have been able to, not only educate our consumers, but also provide incredible employment opportunities to people across the country to work in our business. We bring in young South Africans with a basic matric and we train them, we educate them. We teach them how to run a business. We have successfully promoted over a thousand business entrepreneurs over the last 28 years, we train six to eight hundred people every month. These are life skills that these young entrepreneurs take with them for the rest of their lives. We are incredibly proud of the business model that underpins our sales channels, and it is just an amazing journey for young South Africans to join our business and be able to learn those skills.

Tony: You guys also focus on giving back to society through The Unlimited Child, supporting over 3200 early childhood development (ECD) centres. The Unlimited supports this initiative with the help of other people. Do you see this pull through to the entrepreneurial businesses that you help people create?

Kevin: We started The Unlimited Child as part of our business about 14 years ago now, targeting early childhood development, so kids anywhere from birth to six. The oldest would be about 16 years now, and we have kept very close tabs on the kids coming through the program. What a wonderful success story when it comes full circle and we can take the kids, that have come through that program, and support them in setting up and running their own sales business. We cannot wait for the day when we can talk about that and celebrate and hopefully in the next two or so years, we will have some of those success stories.

We have beautiful stories of our owners that have gone into their communities and have setup soccer clinics, have gone into their communities and have set up dog shelters or animal shelters. A lot of them get involved in and participate in The Unlimited Child. The culture of The Unlimited and our whole brand belief is that businesses should do better, and our massive transformative purpose of shifting lives, absolutely permeates into those business. It is wonderful to see those owners running their own businesses and giving back into their communities, the stories are incredibly powerful.

We have some ambitious goals and big dreams for ourselves. We want to create another 5,000 entrepreneurs over the next five years. We believe that would directly and indirectly support over 300,000, South Africans, making a very big difference. For The Unlimited Child side, our goal over the next five years is to scale up our 3,200 ECD centres to 100,000 ECD centres worldwide. Scaling exponentially with many other likeminded philanthropies and corporates.

"Our strong belief is; if we build a strong trusted brand where South Africans know who we are and trust us, that will absolutely support those two goals and allow us to just take the business to the next level and take our ability to shift more lives to the next level, which is really what sits behind the launching of our brand."

INSURANCE: CREATING SUSTAINABILITY IN SA FARMING

Kobus Stapelberg, master of all trades at King Price Insurance, spoke to us about his mission to create an agri-culture around risk. "Farmers are a key component of food security, and we therefore share in their risk."

Tony: I like your title, 'master of all trades, especially in the context of agri because that's what's required of farmers. With agri insurance, there seems to be a belief that it's only for large commercial farmers and, other than that, it's just insuring a couple of assets for the small farmer. What's your opinion on that?

Kobus: Many farmers don't know or realise that agri is a high-risk business, because they're on a farm, and far away from all the infrastructure in towns, cities and urban areas. A second factor is that farming is very dependent on the weather. We all witnessed the massive floods in the Free State last summer, which impacted the sector hugely. That's why I'm a firm believer that, whether you're a subsistence farmer or a big corporate farmer, you must have insurance for your assets. Whether you farm with a few cattle or you have a mega manufacturing plant or a citrus packhouse, it doesn't matter. You need insurance to protect your assets so that we can support food security. If farmers exit the market, we won't have food to eat, and food security is a very pertinent topic.

Many bigger farmers have a self-insurance fund. When we present to farmers, we break up agriculture into 'agri' and 'culture' of risk, in other words: The culture of risk in agri. Farmers need to start talking about and practising the culture of risk. Risk mitigation practices must become commonplace, otherwise insurance is just going to get more expensive.

Tony: What's the main reason that small and medium farmers don't have comprehensive agri insurance?

Kobus: Mostly, I think it's because they don't really know the extent of the risks that they're facing. That's why we talk about the culture of risk in agri. We say, "Let's do some things differently. Let's start using tech to support and manage risk mitigation. We've partnered with a whole lot of tech companies that are making a real difference in the agri insurance space, so let's use our partnerships to make a difference at farm-level too."

We know that data is king and if we can get quality data, and interpret it more meaningfully, we'll understand more about agri risks and, in turn, make agri insurance more viable. This also means we'll be able to price individual risks more accurately and make policies more affordable. The farmers will hopefully buy into our theme of 'agri-culture of risk'. We hope to convince them to actively manage their farming risks, and so we even give them a chance to start with a self-funding portion within their insurance solutions.

For example, South Africa recently had an outbreak of foot and mouth disease, and affected livestock farms were quarantined. For three weeks, they couldn't move, auction or slaughter livestock. The whole red meat production industry halted until the quarantine lifted. The whole value chain was impacted, from the farmers right down to consumers.

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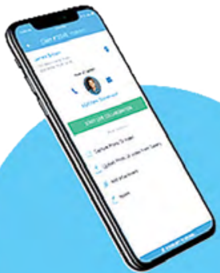

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Tony: What are the main risks that King Price covers for farmers?

Kobus: Because we're big on livestock and we have high visibility at livestock shows and auctions, many farmers, brokers and business partners think that we only cover livestock. But that was just our entry to the market. We insure almost everything on a farm, from the infrastructure and the business elements, to the vehicles, crops and livestock, to liability. There are some restrictions though. For example, we can't cover fire on grazing land but we're working towards something that'll give our clients the opportunity to buy cover for feed or hay bales after a fire. So, if there's a fire on a cattle farm and the cattle can't graze, we can help by getting feed or bales so that our client can provide for the animals. You can't move your cattle to another farm, so we need to bring something to them.

Tony: There can't be many insurers left that do agri. I know that a couple of insurers left the agri market some years ago.

Kobus: The big insurers, will always be there and they're good. I have a profound respect for them. In 2018 I joined King Price to head up their newly-established agri division. Before I joined, I was approached by one of the very big, established insurers to become their head of underwriting, but I believe that agri insurance needs a different approach to align it better with the needs and risks of modern farmers, and so that's why I joined King Price.

My father was a farmer, and I'm one of seven brothers, five of whom still farm. I worked at Mutual & Federal before I became the head of agri at ABSA, and after that at TWK Agri. I have extensive farming knowledge and experience. In my view, the whole problem statement in the agri space is that farmers aren't insuring all their risks, or they're self-insuring, because they don't like the product solutions in the market. That's why King Price decided to enter the market with a different point of view and ideas for new product offerings.

For example, we can do livestock standalone whereas some of the other insurers in the sector don't. At King Price, if you only want to insure one bull, we can do it for you because we've structured our products and reinsurance treaties so that we can tailor-make product solutions for our clients. And that's how we entered the market. It's the same with the crop markets. It's industry knowledge that up to 70% of crop clients aren't insured.

We recently spoke to some farmers who hadn't had crop insurance for the last seven years. They said that crop insurance is too expensive and not worth the money. I don't want to give any of our secrets away, but when we explained our tailor-made product solutions they opted to take out insurance with us. While we have 'packaged' insurance solutions, we can also tailor solutions for farmers' specific needs and risks, or for the portion that they think could be a catastrophe to their business. So, it's a whole new way of thinking about finding solutions.

We're the first South African insurer to introduce a 'pay as you farm' model. Our reinsurer, Munich Re, also doesn't know of a similar model in the agri space, in the world. We know that some insurers have 'pay per k' and 'pay how you drive' products, but we're the first to introduce usage-based insurance on harvesters and other high-value agri equipment. On every policy anniversary, the farmer gets a once-off rebate of up to 30%, based on the actual usage of the insured vehicles and equipment.

Tony: How else does King Price differ in their approach and ethos?

Kobus: We do insurance with purpose because Mergon is our biggest shareholder, and they're all about doing business with purpose. Francois van Niekerk, the founder of Mergon, said: "Success is serving yourself, but as soon as you start serving other people and you make other people's lives easier, then you're significant and not just successful."

As examples of how we add purpose, we employ fire management systems, and get involved in organised industry and red meat and milk production organisations. If we support all the organisations that manage the sector, we can provide insurance with purpose and that's our whole philosophy: To be significant and not just successful.

PROTECTION AGAINST RISING PRODUCT RECALL

There has been a significant uptick in the number of claims since 2018, made against the cost and legal implications of products recalls. The rising number of noteworthy incidents such as the recall of 20 million canned vegetable products in 2021 which cost the related company in excess of R700 million, highlights the need for broadform liability cover, designed specifically to help commercial entities mitigate the impact of the risks that emerge around product recalls.

MANISHA
CHIMAN

Professional Indemnity & Liability Underwriting Head, SHA

Notable incidents – such as the canned vegetable recall and the listeriosis outbreak of 2018 – have shaped public discourse around the seriousness of injury or damage caused by products. As a result, there has been a rise in the number of claims being made against businesses.

Despite this, and as the 2022 SHA Specialist Risk Review Report revealed, South African businesses still rank product recall relatively low on their threat radar, in sixth position. This finding suggests the need for wider awareness and education around the importance of being prepared and insured for this risk.

Although product recalls are often associated with the food production sector, I have witnessed an upward trend in recalls amongst automotive and technology brands too. An example is the recent recall of over 13 000 cars by Mercedes-Benz South Africa, due to possible brake failure concerns.

A common mistake made by local companies is to dismiss the product recall threat as something that implicates only the retailer or manufacturer. However, South Africa's Consumer Protection Act (CPA) makes it possible for third parties to hold any contributor, along the supply chain (from end-product manufacturers to individual component producers) responsible for damages. For example, larger retail chains do not hesitate to initiate product recalls, at the expense of manufacturers.

In light of this, I encourage businesses to include a product recall section into their broadform liability cover as part of their risk management plans. This form of cover is designed to protect commercial entities against the legal liabilities that may arise should their product cause third-party injury or third-party property damage.

Upon investigation, SHA has found that one of the reasons for the uptick in claims is as a result of South African businesses having changed suppliers over the past 24 months. The 2022 SHA Specialist Risk Review reveals that just under half of South African businesses have changed suppliers over the past 24 months, with 30% of these businesses doing so due to cost and 25% were forced to make the switch due to a supplier closing down. This is a very clear indication of the impact of COVID-19 on suppliers.

A supplier switch is very closely aligned with quality – a correlation that was highly apparent in the fact that product liability claims over this period skyrocketed from R2.7 million to R8.8 million. For this reason, it is imperative for businesses to consider the upstream supplier's ability to perform in the event of a product recall.

Product recall claims can be triggered by first parties, which are usually manufacturers, end-users or retailers. They can also be triggered by third parties or players along the supply chain. Lastly, as provided for under the CPA, the National Consumer Commissioner can trigger a product recall should a product be found to be a threat to public health according to several legislative requirements.

For this reason, SHA has adapted its policies around the requirements for clients who have broadform liability cover to necessitate product recall plans as part of their client's ongoing risk management processes. A product recall plan should provide a clear indication of the protocols and processes that are in place should a product recall be triggered.

In conclusion I believe annual risk reviews should be commonplace for South African businesses because as research indicates, a successful product recall will have a direct impact on the severity of the loss incurred. Companies are therefore encouraged to work with their legal teams to fine-tune their risk management protocols. Sound strategies and preparation can save companies billions of rands in the long run.

THE KEY TO INCLUSIVITY IS A CELL CAPTIVE

Xolani Nxanga, Managing Executive for Microinsurance at Guardrisk talks to us about the fascinating topic of microinsurance.

Tony: For a substantial portion of our population, microinsurance is really the only insurance option. The question that begs then, is why don't we see more focus beyond credit life and funeral insurance for people in the microinsurance environment?

Xolani: It is about understanding customer needs. There has been a huge focus on funeral insurance because that is the product that the market understands. But if you think about other risks that people face on a day-to-day basis, like commuting for example, why do we not see commuter insurance, which would cover the client in case of an accident?

It would be ideal if these commuters, for example, were covered during the journey. There must be a concerted effort to understand what some of the risks are that customers face and then design the products accordingly. The advent of the microinsurance licence is going to create the opportunities for companies like us, together with the cell owners, to start creating products beyond just credit life and funeral insurance. It just boils down to customer intimacy and understanding what some of the challenges are that people face on a day-to-day basis.

Tony: How do we get there? What is the next step for insurers to expand their microinsurance offerings?

Xolani: We should grab the opportunity presented to us by the regulation, because we now have specific regulation around microinsurance. First, these products are supposed to be designed in the most simplistic way that customers can understand, compared to your traditional products. Some people will not buy these traditional products purely because they are inaccessible because of their complex design. Now with the microinsurance regulations, which has simplified things, we in the industry have no reason to not design products that are simple and accessible to the market.

Tony: How can insurtech solutions be leveraged to increase access in the mass market?

Xolani: Someone was saying that one of the blessings of COVID is that people have become used to interacting via digital means. There is a huge opportunity now, from an insurtech point of view, to start providing insurance products by embedding them when someone is buying, for example, a fridge online. Through insurtech, one can now include an insurance product, like a warranty product for that fridge that they are buying.

So, technology is really coming to the rescue when it comes to this market, because it will help with cost-effective delivery of these products. Microinsurance is naturally designed for high volume, low value products. Therefore, any opportunity to reduce cost is welcome, because if the products are not priced at a decent price point, we are not going to see a huge take up of the product. In South Africa, insurance is still purchased on price, so we must be sensitive to that, and technology has given us an opportunity to drive down the cost of distribution.

Tony: I suppose this is where cell captive solutions then come in, because you enable those insurtechs or start-ups?

Xolani: In 2017, together with Cenfri (The Centre for Financial Regulation and Inclusion), we did research and found that categorically, cell captives are the ideal way, to not only transform the industry, but to create access for people who previously never had access to an insurance licence. So, at Guardrisk, we have a composite microinsurance licence, which caters for both life and non-life. This provides another opportunity to reduce cost because, if you were to have two separate licences, that would just increase the cost of a cell captive. But with the Guardrisk microinsurance licence, it is a perfect opportunity for when you have a loyal customer base to which you can sell products. A microinsurance licence comes with lower minimum regulatory capital requirements and simplified solvency calculation.

The rules have been slightly changed for microinsurance, to make it an accessible licence. This is an opportunity for cell owners that are willing to design bespoke products for their clients, especially those that are close to their clients and understand the needs of their clients.
The transformation aspect of the microinsurance licence is something that we can all be proud of, with the regulator coming to the fore and putting regulation in place that has allowed people who were excluded from mainstream insurance to now own cells or have their own insurance companies.

The cell captive structure has inherent features that set it apart, when you look at what you need to put in place to run a cell versus running your own traditional licence, the cell captive gives you the opportunity, for example, to outsource certain functions which immediately has an impact on the cost of running a cell. Indirectly this has cost implications for how you end up pricing your products. Whereas, if you start your own separate insurance licence, targeting microinsurance products, you need a lot of skills and infrastructure and governance structures that you must bring into that business.

Tony: How does one take advantage of the opportunities presented by the microinsurance cell captive licence?

Xolani: If you have a captive market where you are already driving sales, let us say for example, you are already selling people a service, or a product, the cell captive licence could now create another opportunity for you to drive other revenues for your business.

If you have a loan business where you are lending people money, there is an opportunity now to take along insurance credit life. Again, it could be a legal expenses product, or it could be an accident and health product. Guardrisk is licensed to underwrite a whole range of life and non-life products for individuals and groups.

Tony: If we look at what we have spoken about now, who is an ideal candidate for a cell captive? Are there certain requirements? How do you evaluate that?

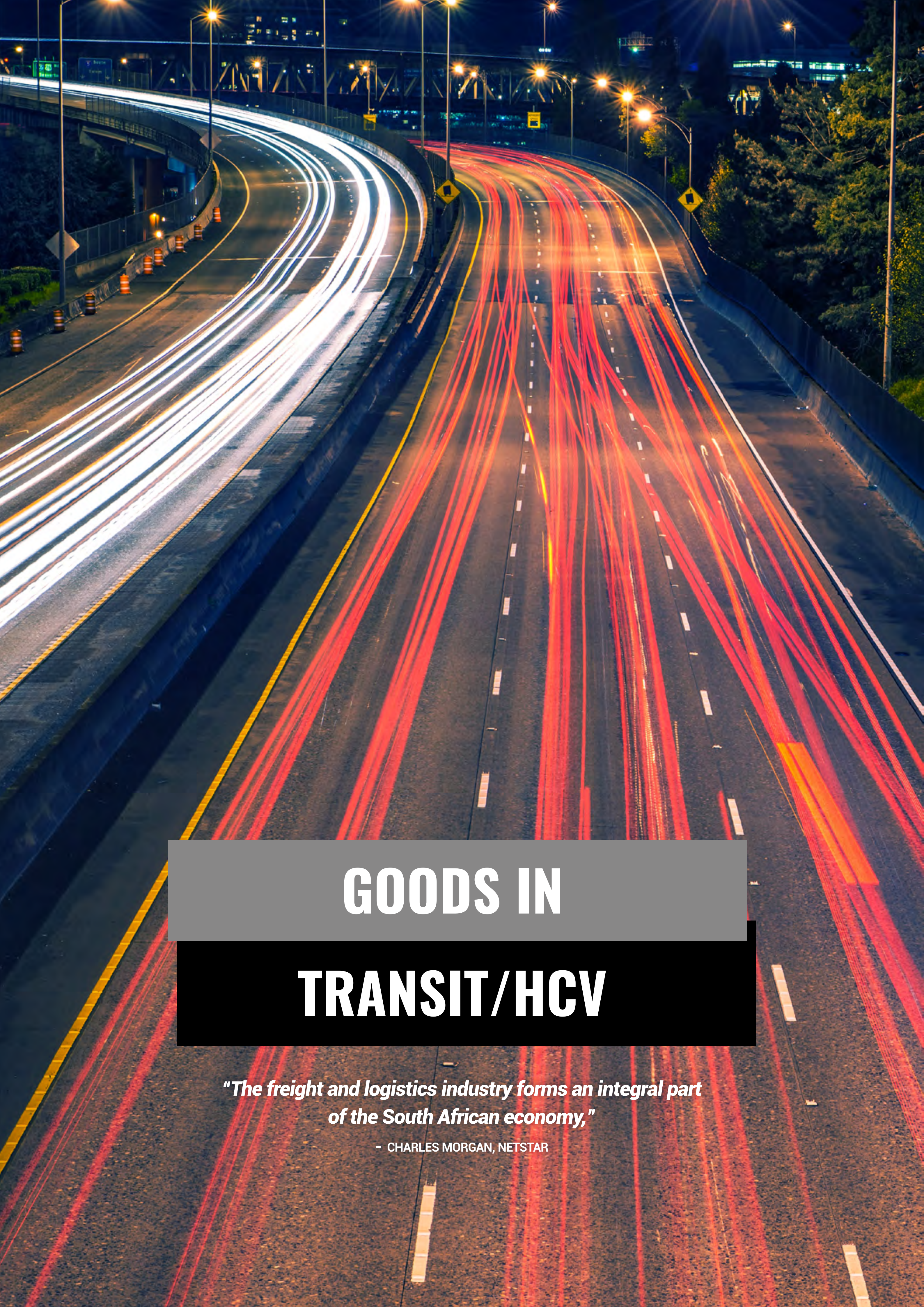
Xolani: The first thing that we normally talk to our clients about is access to clients. It is critical to have access to distribution or access to clients; unless you have this, it is unfortunately going to be difficult for you to make a success of the microinsurance licence.

The second point, which is required from a regulatory point of view, is operational readiness of that business and operational effectiveness. Ideally, it would be someone who understands insurance because then they understand all the requirements. For example, when it comes to treating customers fairly, or when it comes to solvency requirements, it is a language that they understand. But also, when it comes to designing products, they will have the intimate understanding of how insurance works and what you can and what you cannot do.

“technology is really coming to the rescue when it comes to this market, because it will help with cost-effective delivery of these products. Microinsurance is naturally designed for high volume, low value products. Therefore, any opportunity to reduce cost is welcome”

Ours is really a technical industry, but as Guardrisk, we are here to hold clients’ hands because we have a longstanding relationship with the regulators, we have the skills and we have about 300 cells within Guardrisk. We have the experience to support our clients.
We also have relationships with world-class reinsurers, so can support our clients when it comes to re-insurance. While they may not necessarily understand reinsurance intricacies, we have the expertise. But certainly, the key ingredients are a good broad understanding of insurance, access to clients and operational effectiveness.

Our view is that one should consider a cell captive before committing to a full licence, given the inherent benefits of a microinsurance cell captive licence. Having access to both life and non-life through a Guardrisk Microinsurance cell captive is worth investigating.



GOODS IN TRANSIT/HCV

"The freight and logistics industry forms an integral part of the South African economy,"

- CHARLES MORGAN, NETSTAR

TECH, RELATIONSHIPS KEY IN THE GIT PROCESS

Underwriting goods-in-transit (GIT) insurance in South Africa is a tricky and nuanced process. With the high levels of criminality and the poor state of our roads, risk management and technology are playing an increasingly important role in mitigating losses.

GIT insurance is heavily driven by what goods or commodities are being transported, as well as emerging trends in the country notably criminality and road conditions. Traditionally with GIT there are a number of items excluded because of their desirability to criminals. These include cell phones (unsurprisingly) but also in-demand consumables such as nappies, tinned fish and sunflower oil. Other desirable items, such as alcohol, coal and copper, often require armed escorts while they are in transit to ensure cover remains in place.

THE STATE OF OUR ROADS IS ANOTHER RISK THAT HAS TO BE CONSIDERED.

Poor road conditions are definitely a factor when it comes to GIT risks. A sudden swerve or bump in the road, or harsh braking, can lead to goods shifting while in motion. This leads to breakages or spillage, which in turn can lead to claims. There are some factors within our control that can help to influence GIT risks to a certain degree.

"Technology is a massive enabler not just through accurate risk exposure measurement and customer risk assessment, but also through the use of block chain to make the process more transparent."

While there is not much we can do as underwriters about crime and road conditions, there are a number of factors within our control that can influence these risks in a positive way. These include the use of technology, loss mitigation techniques and good relationships. Technology is a massive enabler not just through accurate risk exposure measurement and customer risk assessment, but also through the use of block chain to make the process more transparent. Recording all the steps in the process in the block chain gives everyone access to relevant information at all times. This makes it much easier at claim stage to identify the steps taken, thereby clearly establishing whether or not cover applies.

LOSS MITIGATION IS ANOTHER FACTOR.

Getting to the scene of an accident as quickly as possible is vital to prevent looting. Fleets need to have a response-to-incident service available to them to ensure the load is secured and covered – and their service provider must have access to an operations centre that can quickly mobilise ground forces to the incident.

AT THE END OF THE DAY, IT ALL COMES DOWN TO RELATIONSHIPS.

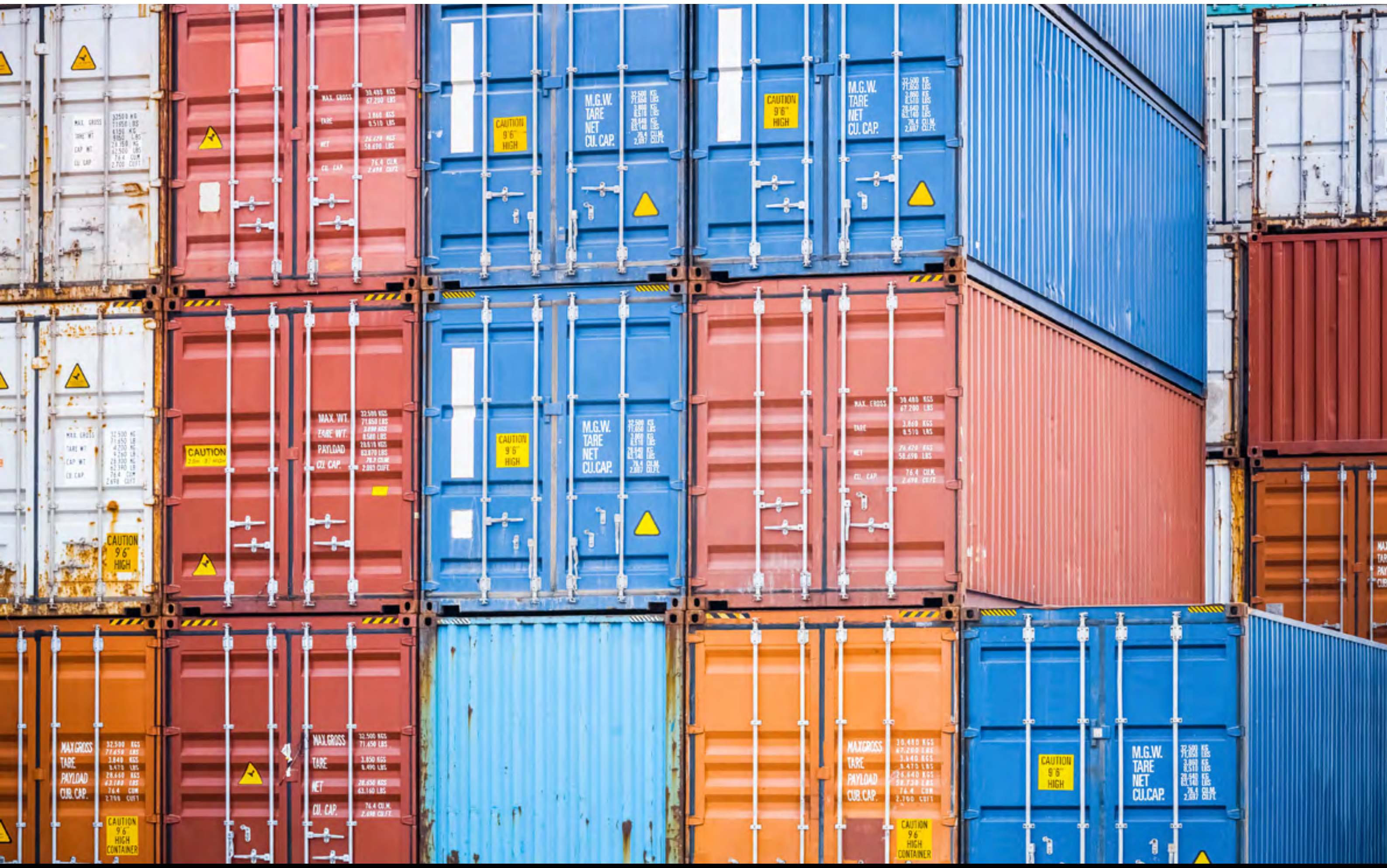
The better the relationship between client, broker and underwriter, the better the quality of advice and client understanding will be. This leads to accurate pricing, smooth renewals and a hassle-free claims process for all parties.

COVER

CARGO THEFTS PLACE ENTIRE SUPPLY CHAIN AT THREAT

South Africa has unfortunately become notorious for its high crime rate which affects all sectors of the economy and hampers economic growth. Due to the rapid deterioration of the rail network over the years, road freight has become an important sector in moving cargo not only in the country, but to the rest of our neighboring countries in the SADC region.

ANTON CORNELISSEN
Manager: Transport Underwriting, Specialist Business, Santam



In a country marred by high levels of poverty and unemployment, which serve as a breeding ground for opportunistic criminal elements, the prevalence of cargo theft, looting and hijacking syndicates in the trucking industry over the past few years have come as no surprise.

This, however, has caused a security and sustainability threat to the industry and all stakeholders in the supply chain. Whilst for the longest of times, certain goods which were regarded as high-risk commodities due to their demand were targeted, indications have shown that almost everything moved in bulk is at risk.

The restrictions which came with the COVID-19 lockdown, where only goods regarded as essential were allowed to be transported around the country, meant that it was easy for trucks to be targeted for looting and hijacking. Santam Heavy Haulage as a Heavy Commercial Vehicle and cargo insurer has had to respond to an unprecedented increase in Goods in Transit claims during this period as a result of losses suffered by operators. As a risk carrier, the analysis of recorded incidents and sharing of intel with various stakeholder has become imperative in trying to curb the frequency and impact of crimes committed against the industry.

Whilst the use of armed escorts and telematics is encouraged and comes in handy in most instances, this is a luxury that most operators simply cannot afford in the face of an ailing economy due to sky rocketing fuel prices which has put a strain on operational costs and profit margins. Whilst tracking devices help with the recovery of trucks, syndicates now use their own trucks during hijackings to pull trailers loaded with cargo, making it difficult to recover the goods. As a leading insurer, our role does not end with just providing insurance as we have a duty to contribute to the sustainability of the industry under difficult and trying conditions. Collaboration and concerted efforts with relevant stakeholders in the supply chain is key in mitigating the risks we are faced with as an industry. The imparting of knowledge will assist operators in planning their operations and the strategic placement of law enforcement on identified targeted routes will certainly mitigate the risk that the road freight industry is faced with on a daily.

Investing in the wellbeing, upskilling and training of drivers, who play an integral part in this industry will promote responsible road behavior, loyalty and discourage incidents of employee fidelity which plays to the hands of theft/hijacking syndicates.

THE PIVOTAL ROLE OF INSURANCE AND TELEMATICS IN MITIGATING CIVIL UNREST RISKS IN SA

A torrent of civil unrest incidents in 2021 has again highlighted the need for fleet managers and retailers to proactively take steps in mitigating the risks associated with civil unrest.

In July 2021, ten days of violent rioting and looting spread across South Africa, resulting in 534 separate incidents reported, which included the gutting and burning of trucks. Losses to retailers amounted to an estimated R2 billion.

The rioting occurred at the height of the Covid-19 pandemic when food insecurity and the financial impact of lockdowns were felt by communities across the world. Once protest action boiled over into violence, the entire supply chain had to reevaluate their approach to these types of risks.

"The freight and logistics industry forms an integral part of the South African economy," says Charles Morgan, Operations Executive of leading vehicle tracking and telematics provider, Netstar, a subsidiary of Altron. "Without transport and logistics, the basic economic principle of supply and demand can't be met," he says. "Without a functioning logistics industry economic growth will be stifled."

INSURING CIVIL UNREST

The unrest in July 2021 impacted the pricing of fleet insurance policies, which saw an increase in premiums due to the number of claims during that period. On top of this, fleet managers were hit by an increase in the cost of their South African Special Risks Insurance Association (SASRIA) cover, which insures against unique risks such as civil commotion, public disorder, strikes, riots, and terrorism.

In addition to riots, civil unrest in South Africa is marked by delivery protests and blockades, which often delay the delivery times of sensitive loads such as perishables, leading to damages even when trucks go unharmed. Both risks are covered separately by SASRIA. It's important to note that SASRIA insurance policies offer insurance above and beyond fleet insurance by other insurers, who generally exclude civil unrest from their policies.

"Covid-19 shook us to our core and made us question how prepared we really are for a crisis," says Gideon Galloway, CEO of King Price Insurance. "As millions of South Africans re-evaluated their finances, their risks and their lives, we've seen a growing realisation that insurance, so long seen as a grudge purchase, is critical to cushioning life's unexpected blows."

"The July riots were an eye-opener," says Angela Hughes, Commercial Underwriting Manager for Standard Insurance Limited. Hughes, noting a certain vulnerability that was exposed in the country, where the target of civilian anger was constantly shifting, and no-one knew where it would move next. The increase of SASRIA premiums also came as a surprise to fleet managers. "It's quite a jump from before," says Hughes. "July was the first time SASRIA has been hit so hard – it was their first mass claim."

Two main factors that contribute to a fleet's risk exposure include the route of the cargo and the nature of the cargo load. Due to the sporadic and unpredictable nature of civil unrest incidents in South Africa, it's difficult to pinpoint or isolate certain kinds of fleets, or fleets carrying specific goods as being prone targets, explains Morgan, but statistics indicate that some routes and loads are more susceptible than others.

USING DATA TO PLAN AHEAD

"Data is king, and insurers can collect a lot of it," says Hughes. By feeding data to risk managers and companies like Netstar, telematics can play the role of an oracle in these situations, providing real-time information of a possible risk scenario on the ground. Fleets can go beyond their usual approach and become forward-thinking on how they avoid potentially dangerous situations.

Imagine the scene: Rioters set up a barricade in the road at a certain location, but a truck driver is notified ahead of time via SMS or a notification on an app and can safely divert from the route. Or, using historical data to highlight particularly dangerous routes, drivers can avoid dangerous routes altogether. By using these data sets fleet managers can become proactive in minimising risk to drivers and their cargo.

"In most incidents of civil unrest, fleets are not targeted specifically," says Morgan. "Some fleets can be regarded as unlucky when being caught in the middle of such incidents. These risks can, however, be mitigated by obtaining early information about such events and then utilising vehicle tracking to re-route vehicles away from these incidents."

TAKEAWAYS

There are five key takeaways for fleet managers.

1. **Budget:** Ensure that you have adequate SASRIA cover.
2. **Route Planning:** Use telematics data to preemptively plan routes and mitigate risk proactively.
3. **Telematics Matter:** With telematics, you can ensure your driver is safe, and potentially avoid dangerous incidents.
4. **Your Driver's Safety is Most Important:** Provided with a panic button, the driver can be rescued even if the load is lost. Always keep open communication with drivers.
5. **Grow Your Network:** Become part of a wider risk management network to gain access to information of incidents of civil unrest. Civil unrest doesn't happen all that often, but as was evidenced last year, when it does occur, the losses are severe. It served as a siren to insurers and their clients of the need for measures to mitigate these risks before they happen.

UNPACKING THE RISKS FACED BY

HCV OPERATORS AND GOODS IN TRANSIT

Vuyisani Titi, CEO of Lynx Transport Underwriting Managers, underwritten by GENRIC Insurance Company Limited, unpacks the risk and insurance challenges facing heavy commercial vehicle (HCV) operators in the current transport operating environment, both in terms of the vehicle assets and the goods in transit.

#1: IMPACT OF SASRIA INCREASES ON HCV OWNERS AND OPERATORS

The cost of insuring a HCV fleet faced a massive premium increase in SASRIA cover for loss or damage due to civil commotion, riots, strikes and terrorism. Following a horrifying spate of looting and rioting in KZN and Gauteng in July 2021, February 2022 brought increases of over 1700% as the special risk insurer looks to rebuild capacity after losses totalling R32 billion, spread over 14 000 claims.[1] The massive losses mean that policyholders will face very large increases on certain classes of business to ensure the sustainability of the insurer and its ability to pay claims on this crucial cover again in future.

HCV operators have been hardest hit with trucks exceeding 3500 kilograms attracting a massive 1736% increase. In material terms, that means that SASRIA cover for an HCV worth R2 million will increase from R375 per annum to R6900 per annum for 2022.[1] An HCV insured for R500 000 saw a premium hike from R94 to just over R1 720. Light commercial vehicles (less than 3 500kg) saw premiums increasing by 1455%.[1]

Extrapolate this across a fleet of vehicles and the financial implications for HCV operators are onerous where SASRIA cover was previously a relatively insignificant driver of insurance costs for a fleet operator, it is now a major cost, likely to be passed on to the consumer.[1] However, when one considers the risks of the operating environment, and the continued risks for violent protests, riots, looting and even simmering xenophobic tensions, the risks posed to the insurer and the insured are very real and present.

While HCV operators may be tempted to forgo this crucial cover, it is strongly advised that fleet operators engage with their brokers to find ways to reduce their overall insurance costs with certain voluntary deductibles, co-insurance options and even self-insurance where it makes sense to do so, to keep their SASRIA cover in place. While insuring assets and goods in transit against riots, strikes, civil commotion and terrorism is going to cost a lot more going forward, its critical importance in a balanced risk management programme in the current transport operating environment is not debatable.

PROTECT OUR MARINE ENVIRONMENT

MAKE SMALL BUT SUSTAINABLE DECISIONS

Why are marine ecosystems important?

Oceans cover 71 % of the Earth's surface and are critical to the functioning of our planet. Marine ecosystems include a diverse range of habitats including rocky shores, seagrass beds, mangroves, kelp forests and the deep sea. These ecosystems provide an extensive number of ecosystem services, including carbon capture, nutrient cycling and renewable energy, that are critical tools in combatting climate change. It is also home to an incredible amount of biodiversity that is essential in maintaining resilient ecosystems that are able to adapt to environmental change, with over 12,000 species in South African waters alone. In South Africa, the marine environment provides a large number of jobs in industries such as fishing, aquaculture and nature-based tourism and plays a critical role in feeding a growing population. Marine ecosystems also hold great economic value, with coastal goods and services contributing a third to South Africa's GDP, making it essential to sustainably manage marine resources.

Threats to marine ecosystems

Perhaps the greatest and most immediate threat to marine ecosystems in South Africa is climate change. Our oceans absorb much of the excess heat and carbon dioxide in the atmosphere which has resulted in ocean warming and acidification. Even the smallest changes to temperature can cause significant changes to the physiology, reproduction and distribution of marine wildlife, altering the way species interact with each other and driving loss of biodiversity and ecosystem functioning. Ocean acidification also has significant consequences, particularly for calcifying species that include many commercially important shellfish, hindering their ability to build hard shells and altering respiration and feeding rates.

Marine ecosystems, particularly coastal systems, are also at risk from land-based activities that result in marine pollution. For example, known as eutrophication, excess nutrients derived from fertilizers used in intensive land farming enter the marine environment through run-off, resulting in blooms of fast-growing algae that reduce light and oxygen availability. Urban development can also lead to excess sediment deposition in rivers and streams that then enters the ocean through run-off, decreasing water clarity and light availability. Coastal and urban development such as marinas or holiday resorts further results in significant habitat loss. Over 80% of marine plastic pollution originates from land-based sources and South Africa is ranked 11th on the list of highest contributors to plastic pollution in the ocean, recycling only 16 % of its plastic. Around 10 % of discarded plastic (~ 8 million metric tons a year) ends up in the ocean through our waterways. Marine wildlife is routinely entangled in plastics such as abandoned fishing nets and often swallow smaller items such as plastic bags, cotton buds and balloons.

South Africa's fishing industry is worth ~ R6 billion a year but is threatened by overfishing and illegal fishing, including poaching. Overfishing drives species loss and potentially extinction that can cascade through marine food webs given the reliance of many coastal birds and mammals on fish as prey. Consequences of overfishing are not limited to ecosystem effects, however, as many local communities rely on subsistence fishing and fishing as a source of income.

What is the solution?

Although it can be overwhelming to read the many threats to our marine ecosystems, everyone can do their part in the fight to preserve our oceans. For example, reducing your carbon footprint by choosing to walk or cycle, reducing plastic consumption, recycling, reducing food waste and water consumption and buying sustainably sourced and local products are all part of the solution. Choosing to stay in environmentally friendly accommodation on your beach retreats and choosing to eat only green-listed fish are small decisions that have large impacts. By making small changes every day we can make a huge difference.

Dr. Abby Gilson,
Coastal Research Group, Rhodes University

Dr. Abby Gilson is a marine ecologist working in the Coastal Research Group at Rhodes University. She is passionate about understanding the effects of climate change on biodiversity and ecosystem functioning, ensuring the sustainable use of marine resources. She specializes in rocky intertidal ecosystems, with a particular focus on macroalgal communities. Abby aims to understand how climate change stressors such as ocean warming and species range shifts affect macroalgae-herbivore interactions and the knock-on effects these changes have to ecosystem functioning.

NATIONAL MARINE MONTH

The objective of South Africa's National Marine Month, which takes place in October, is to raise awareness of the country's marine and coastal environments as well as the benefits that our oceans contribute to our nation.

14 LIFE BELOW WATER

Infiniti Insurance is inspired to contribute in this way toward developing awareness, sharing knowledge and building capacity, in support of the achievement of Sustainable Development Goal 14 for a more sustainable world.

#NOTIMETOWASTE

#2: TRUCK AND CARGO HIJACKINGS ARE ON THE RISE

With alarming unemployment levels and a decline in visible and capable policing, trucks and cargos on the roads are increasingly in the sights of criminal syndicates operating sophisticated hijacking operations. Crime statistics released by Police Minister Bheki Cele for the first quarter of 2021 showed that four courier vehicles were hijacked every day in South Africa, and that truck hijackings increased by 24.6% compared with the same period in 2020.[1]

354 trucks and courier vans were targeted during this period for their high value cargo which was typically food, appliances, mobile phones and other prized goods that are easily and quickly offloaded, transported away and sold for cash into the illicit market.[2]

In addition to cover for the vehicle asset, HCV operators need to ensure that they have adequate "Goods In Transit" (GIT) cover in place from the start of when goods are loaded at the depot until the time it is offloaded at the destination and responsibility/possession is transferred to the receiving party. GIT would provide cover for:

- Accidental damage of goods if a truck should be involved in an accident,
- Load shifting where the load moves during transit causing damage to the goods,
- Theft of goods where goods are stolen at approved and sanctioned truck stops and,
- Loss of cargo due to fire.

#3: FLEET OPERATORS EMPLOYING UNQUALIFIED AND UNVERIFIED DRIVERS

A growing trend is the lack of rigorous verification of driver qualifications, licences and work permits where applicable on the part of the employer. This is often only picked up at claims stage where the insurer would find that the driver does not in fact have a valid licence to operate the vehicle leaving the truck owner in a serious financial predicament as any claim is likely to be declined if the vehicle was driven illegally.

It is crucial that HCV operators invest the time and resources to conduct thorough verification and background checks on every employee, especially considering that they are putting the driver behind the wheel of a multimillion Rand asset, not to mention the potential for hefty third-party liability in the event of an accident where there are injuries or worse. The costs saved by not doing proper verification pales in insignificance when you consider the liability of putting an unlicensed and unqualified driver, or one with falsified work permits, behind the wheel of your HCV and valuable cargo.

#4: DEALING WITH DRIVER FATIGUE AND LOADING NEGLIGENCE

According to Lynx, around 40% of its accident claims are attributed to driver fatigue and negligence. With transport operators trying to make up for lost time and revenue as a result of the pandemic lockdowns and supply chain bottlenecks, many HCV long-haul drivers are subjected to challenging conditions and pressure to meet deadlines despite weather, road and safety conditions.

"It's crucial to fully interrogate the value and nature of risk faced by your HCV operation, and in turn ensure that you are adequately covered for your assets, people risk and cargo."

From a loading perspective, overloading, and even incorrect loading, is a dangerous risk. It inevitably means that the HCV will not operate as it should, it won't stop or brake as expected and steering and controlling the vehicle on the road will be precarious at best. It is crucial that drivers and transport operators know how to load and offload cargo correctly, as well as the correct storage and handling conditions of such goods. It is also vital to understand when and how your 'goods in transit' coverage applies once cargo is offloaded and ownership or possession is transferred to another party.

Driver fatigue is another crucial issue. Legally a driver is only allowed to drive for a set number of hours before having to stop and rest. Best practice demands that there should be two drivers to every vehicle for long hauls, so that drivers are able to relieve each other at the appropriate intervals. Unfortunately, some operators cut corners on the additional costs, and push drivers to do longer hauls without rests at scheduled intervals, putting not only the driver, vehicle and load at risk, but other innocent road users too.

THE RISKS OF SKIMPING ON RISK MANAGEMENT, MITIGATION AND INSURANCE

The importance of having a comprehensive risk mitigation programme in place cannot be emphasised enough. All industries are dealing with the impact of economic slowdown and slow recovery in the midst of the pandemic, coupled with trade tensions and political upheaval which are exacerbating the traditional risks. In such an environment, the HCV and transport sectors are under tremendous pressure in terms of costs and achieving operational efficiencies, while also having to balance the risks faced in safeguarding people, high value vehicles and high-risk cargos through insurance solutions.

It's crucial to fully interrogate the value and nature of risk faced by your HCV operation, and in turn ensure that you are adequately covered for your assets, people risk and cargo. The temptation to cut costs and skimp on insurance must be avoided at all costs, and operators need to apply proper risk management and assessment protocols to reduce their exposures in uncertain and challenging economic conditions. It is here where the skills and sector knowledge of an experienced HCV insurance underwriter and professional broker proves invaluable, ensuring that even in a worst-case scenario, your business can operate as normal, safeguarding your bottom line and reputation.

TECHNOLOGY

" Cloud based technologies have many attributes that lend themselves better for use in a digital journey "

- TAVIO ROXO, OWLS SOFTWARE

BACKSEAT DRIVING

IN THE TIME OF AUTONOMOUS VEHICLES

Netstar

At some stage in the last decade cars have learned how to drive autonomously, meaning almost completely by themselves. In the future, there will be no need for a driver's seat, and further down the line, little need for insurance policies as we know it.

Automated vehicles are deeply unnerving, likely due to them being such an obvious and relatable example of robots infiltrating what has always been the domain of humans. Traditionally, a human shifts behind the steering wheel of a car, pushes down on the accelerator with their foot, and the vehicle moves off in a certain direction. A few years ago, a car warning a driver of an impending collision with, say, a dustbin was reason enough for jaws hitting the floor.

Then cars started parking themselves, some ghost in the machine handling the wheel... Worrying to some, cars have come a long way since then. The Society of Automotive Engineers (SAE) created specific definitions describing advanced driver assistance system (ADAS) functions, rating these on a scale of 0 to 5. Levels 0 through 3 being where the human driver is still very much in control of the car's movements.

Levels 4 and 5 describe a system in which "You are not driving when these automated features are engaged – even if you are seated in the driver's seat," according to the SAE J3016 guidelines.

Features such as automatic emergency braking, blind spot warning, lane centering and adaptive cruise control fall under Levels 1-3, where Levels 4-5 include functions such as traffic jam chauffeur, local driverless taxis, and pedals/steering wheel that may or may not be installed. Defining how the system should work is the easy part, but at the moment these are mere definitions. The SAE's trademarked rating system is far from perfect, as noted in an article in Popular Science. "This has the implication that the higher the level, the better, or more advanced the automated system is," Mahmood Hikmet, head of research and development at New Zealand automated shuttle company Ohmio, is quoted in the article.

"But that's not true. The only thing SAE J3016 levels tell you about a system is about the responsibilities of the human or the automated system while executing the driving task," he says. "That's it. Nothing about the operational design domain, capabilities of the system, or how advanced the systems are.

Just what the human and the automated system are respectively responsible for doing during operation." CNN journalist Michael Ballaban recently tested a Tesla installed with "full self-driving" beta software. Ballaban, being chauffeured, and driving, around a busy street in Brooklyn, describes the car as "technically, sort of driving itself." In one instance, he wrestles back control of the wheel from the computer as a motorcycle driver cuts him off and the car veers, wants to, at least, straight into a delivery truck in oncoming traffic.

"With sensor-loaded cars poised to reduce accidents by 90 percent, and ridesharing/ride-hailing trends pointing toward decreased vehicle ownership, auto insurers could be challenged to compensate for the apparent inevitability of falling premium rates and perhaps a substantial volume of business,"

It's the first of many nervous moments during the test. Driving down a straight road the car seems to be doing fine but things get hairy in challenging situations "stuff that experience teaches you," he says. "It's a little like teaching a teenager how to drive. You're always watching, always waiting. You never know when it might try something new." Teaching computers what is tantamount to human experience is an ethical and mathematical minefield. Consider the following thought experiment: An automated vehicle is cruising along the highway and must contend with an animal directly in its path.

Does it swerve to save the animal and put the passengers in danger? What if it were a human in its way? What if there were more humans in its path than passengers in the vehicle? And what if it were children in the road and adults in the vehicle? It's these types of ethical dilemmas that have, for the most part, kept fully autonomous vehicles in the labs and off the roads. As Ballan's Tesla test shows, the so-called fully self-driving cars today tend to deal with potential collisions by steering straight into another one. It's far from ready for public use.

Self-driving vehicle makers Waymo and Navya already operate and sell Level 4 vehicles that operate in the US. Waymo's autonomous taxi service, Waymo One, has been delivering services in Arizona since the end of 2018, and was recently introduced in San Francisco on a trial basis.

Most people agree that self-driving vehicles will happen but differ on when we'll see the technology scale to global use. When it does, however, it will have huge, massive, metamorphic implications for various industries, including telematics and insurance. The former industry being positioned better in the market than the latter... Nelson Mills, writing for Forbes, explains that driver liability will likely turn into product liability when computers are fully in charge of driving.

"The vehicle OEM or whoever supplied the automation system and/or its components may be liable," he says. "While portions of the liability pool shift from personal to commercial in nature (i.e., product liability versus personal auto) the overall size of the risk may not change dramatically. Rather, insurers will need to understand the risk posed by two drivers; one human and one robotic," he explains.

Deloitte, in its report Autonomous vehicles and the insurance industry, says insurers can prepare for the self-driving evolution by:

- Recognising that the rate of change by geography and age may vary
- Developing more technical underwriting capabilities
- Preparing for incremental changes to cost structures
- Navigating with insufficient or incomplete data, and exploit emerging sources
- Establishing advanced analytics capabilities
- Planning for product and business-line shifts—including offering driverless car insurance
- Retraining claims adjusters to interpret intricacies of shared driving
- Recognising the threat of non-traditional competitors

"With sensor-loaded cars poised to reduce accidents by 90 percent, and ridesharing/ride-hailing trends pointing toward decreased vehicle ownership, auto insurers could be challenged to compensate for the apparent inevitability of falling premium rates and perhaps a substantial volume of business," the Deloitte report notes.
"As a result, insurers should consider developing transformational strategies to remain relevant and create value for consumers, yet still be profitable in this emerging environment."

Clifford de Wit, Chief Technology Officer at Netstar, a subsidiary of Altron, says the technology is at a point where autonomous driving is already a reality. For telematics companies, the roadmap may be clearer than for insurers, as telematics sensors and related technologies function as the neural network of these vehicles, telling them where to go and how to behave based on mapping technology.

"Vehicle manufacturers have a vested interest in providing the autonomous driving experience," says De Wit. "Telematics providers are embedded into their manufacturing stack." To roll out autonomous driving requires an inordinate amount of data for the mapping of roads and road conditions, but also in keeping track of changing environments in particular areas. Without telematics, autonomous vehicles would be driving blind. It's one of the main reasons why developed nations have been at the forefront of mapping their environments, explains De Wit.

He says that telematics providers have a very good idea of what's happening on the roads, and how drivers behave in these environments. "As an industry, the telematics providers play a key role in providing the insights that will enable autonomous vehicles to drive on our roads," he says. For telematics companies, there's an obvious opportunity to partner with autonomous vehicle providers in future. "As an industry, we localise well," he says.

BDO listed the following considerations for insurers, which also applies to brokers and their clients:

- Which levels of automated vehicles is the insurer prepared to cover?
- If humans have less and less control behind the wheel, how will the insurer determine premiums? What new or additional risks will need to be insured?
- Where does the insurance company fit in the new ecosystem of ride-sharing, considering the ultimate buyer of insurance products will change over time?
- How will the insurer adjust its underwriting and pricing models as the current model of driver-centric insurance products eventually ceases to exist? What impact will this have on the company's existing distribution channels?
- Is the insurer's systems and technologies equipped to handle the new autonomous vehicle ecosystem?
- How will the new automated technologies affect the cost of claims including frequency and severity of losses over time?
- If a self-driving car crashes, who will be found liable for damages? What if the crash is caused by a weather event, or the self-driven car itself?

Netstar has an OEM relationship with one of the global leaders in auto manufacturing in providing telematics devices in each vehicle that rolls off the assembly line. It enables the vehicle manufacturer to globalise down to an individual country level by using Netstar's local knowledge of dialing into the telecommunications infrastructure. "There's going to be a point where these partnerships involve the incorporation of autonomous driving features," De Wit says. Globally, this is already happening, but not yet in South Africa.

So, what will happen to the insurance industry if computers take over as drivers? "At some point, we are going to have humans and autonomous vehicles sharing the roads, and we must think about what that means for insurance and how telematics data can help insurers figure out who's at fault in the event of an accident," he says. This is widely in use today.

Back in 2016, KPMG, in its Automobile insurance in the age of the autonomous vehicle report, noted that a decline in accidents will drive a drop in industry loss costs and, subsequently, premiums, with a fall starting when cars start converting to self-driving models. "The mix of insurance will also likely change, as commercial and product liability lines expand. Within 25 years, our models suggest a scenario where the personal automobile insurance sector is less than 40% of its current size." While the predictions may have a few years, decades even, added to the timeframe, given the slower-than-expected rate of development, the authors warned that the elimination of excess underwriting capacity could have a severe impact on the market, further exacerbated by changing business models and new competitors. "No-one has a crystal ball, but we are convinced that a period of unprecedented change has begun," the authors warn.

Data management will be critical for insurers, seeing that autonomous driving requires and generates data, which will only increase as the internet of things (IoT), and the "web of information", increases between the road ecosystems. "In this environment, data management - integrity, storage, analytics, and security - becomes critical," according to Deloitte.

But this new burgeoning industry can also hold opportunities for insurers, says De Wit. With electronic vehicles there's an opportunity to insure various expensive parts such as the battery. In terms of driving risk, everybody's asking who would be liable for an accident involving these vehicles. There are ongoing legal trials today in which OEMs have clearly stated the driver behind the wheel is the liable party, even if the vehicle was driven autonomously.

From an insurance perspective, the onus still rests with the driver. But how does the insurance industry approach a situation in which the client is liable for the risk but it's the vehicle making the decisions? "It's an issue that some very smart actuarial scientists will have to consider."

De Wit says it will be an autonomous vehicle evolution and not an all-out revolution, given the speed at which change is happening in the mature markets. This transition will be multifaceted, as noted in the report by Deloitte. The authors posit four future states of mobility, including personally owned driver-driven vehicles, shared-driver driven vehicles, personally owned autonomous vehicles, and shared autonomous vehicles. These are expected to evolve at various rates and will share the roads for the foreseeable future. The success of new technologies, regulatory uncertainty, and consumer attitudes about giving over control to self-driving vehicles are the factors that will result in uneven adoption.

"Our research indicates that the pace of these trends may vary among age groups and geographies, but compelling economic and societal benefits suggest that the future will increasingly be defined by shared self-driving vehicles," the authors note. Insurers thus have time to prepare. "The better insurers can digitise their business, becoming more agile in doing so, the better prepared they will be," De Wit explains. "The best way to prepare for the eventual digitisation of the vehicle industry is to digitise the insurance business."

CREATING A TECH STACK FOR THE FUTURE OF INSURANCE, NOW

Part two of a talk by Tavio Roxo, CEO of Owls Software, at the 42nd OESAI (Organisation of Eastern & Southern Africa Insurers) Conference in Zanzibar.

TAVIO ROXO

CEO, OWLS Software

In part one, which was published in the September issue of COVER, I unpacked the challenges facing the insurance industry in our quest to improve the image of the industry while creating trust and confidence with our clients. The demise of Blackberry, Nokia, and Sony/Ericson, as described last month, sets the scene.

THE ARCHITECTURAL ATTRIBUTES OF A TECH STACK FOR THE FUTURE OF INSURANCE, NOW:

Firstly, any technology choice must be cloud-based. Sometimes referred to and native cloud, or full cloud. Unless the technology is full cloud, there will always be friction between where you want to go as a business, and the structural limitation of your technology stack. Cloud based technologies have many attributes that lend themselves better for use in a digital journey.

They provide full scalability, maximum availability and accessibility and are secure. You can spin up additional hardware resources easily with little to zero lead time. Due to the hardware array of a cloud set up, you can create full availability and accessibility. These environments are backed up across multiple pieces of hardware across multiple jurisdictions. This, by implication can provide full back up If configured correctly, using cloud allows for securing the environment through one access point for example. Also, with multiple firewalls, which are being updated hourly to mitigate against worldwide threats identified, you can have some comfort that threat levels have been mitigated. Gone are the days of doing this in-house with a server room in the basement… On premise install it was referred to, I think. That old school. That is Nokia stories…

To illustrate cloud-based technology VS older legacy technologies I will use an example. From 2015 Mercedes S500 had the technology and did process sufficient data points to allow the car to keep the correct following distance from the car in front of it (adaptive cruise) whilst keeping in the lane (Disetronic +). This allowed for what is called "partial autonomous driving." Mercedes today however does not have FULL autonomous driving. Why? Mercedes was collecting those hundreds of thousands of data points every minute. The limitation however was that due to the legacy software stack they captured and stored those data points locally on the car… they were using an older tech stack (non-cloud) and although that was reliable it was limited in this fundamental way.

Mercedes had a balance sheet of 88 billion Euro in 2015. They could have pivoted. But did not. Tesla today however has fullautonomous driving. You can get in, punch in your destination and the car will navigate you to your destination without you touching the accelerator or steering wheel. Tesla in 2015 had a balance sheet of 8 billion dollars (approximately one tenth that of Mercedes at the time). So how does Tesla get it right and Merc not?

There are various contributing factors to Tesla being able to beat Mercedes to autonomous driving, but primarily…Tesla is a completely different tech stack to that of the Mercedes. A full cloud or native cloud tech stack. Which means it works differently. Autonomous vehicles generate as much as 40 terabytes of data an hour. This is from the camera's, radar, and other hundreds of sensors. In context… This is equivalent to 3000 years of iPhone use. Every hour. Its mad. There is a whole other discussion around data and storage…

But they only gave me 30 minutes… The significant difference of course being that where the Mercedes was collecting terabytes of data points, it was storing them locally (or in later years sent limited info). The Tesla however, being native cloud, was uploading this information from the get-go into a central computer that currently boasts a memory and processing bandwidth of two terabytes per second. An absolute beast. In fact, Tesla announced in August 2022 that it has the 7th largest Supercomputer in the world.

And it needs it… You see, all the Tesla cars are feeding all their data points to Tesla's Mothership Supercomputer called Dojo and with these troves of data, Dojo is computing hundreds of billions of variations of different road traffic behaviours. Using Machine Learning and Neural Networks Tesla is forming a better picture every minute on how to ensure that your Tesla car drives safer. It will send all the updates to you at night while you sleep… It truly is a different world.

The second learning, wherever possible, use a technology solution that allows you to perform all the functions end-to-end, for both life and non-life business, in the same place on the same system or tech stack. If not possible, then a recognition in your business that that is where you would want to go and limit the number of technologies. As illustrated above, it is sub-optimal if you must step out of one technology into another to perform a business function. You see if you are performing all the functions in your business for both life and non-life on the same system you can record, store, use and compute all these data points. You are gathering information consistently. Like a Tesla. To a central place. If there are any pricing specialist in the room, they will be rubbing their hands.

We must perform all functions centrally: Quoting, Underwriting, Onboarding, Fulfilment, Servicing, Premium collection, and automated reconciliation, Claims management, Reporting, Posting of financial transactions. If you have this set up. Then you can immediately see with this alignment. You can drive product rules immediately into this architecture. You can make changes on the fly. You can create product. You can distribute it. You can change it. You have the flexibility. Importantly. You can sell and distribute digitally. And you can administrate digitally.

But where the real magic happens… is because you have everything in one place. In a normalized data base structure… you can add automation. Automation in our insurance world is incredible. You gain orders of magnitude in efficiencies. Then Thirdly, an appreciation that sophisticated IT skills are in shortage in our industry and on our continent. So, make it simple. Use a system which is, mostly, configuration vs development. When developing a piece of functionality for the first time a system developer can choose to hard code the functionality item. Or develop the item in such an agnostic way that it is configurable at a later stage by other business use cases.

Developing with later configurations permutations in mind is time consuming. In fact, much more time consuming. Depending on the requirement it could be 8X more challenging and time consuming. The advantage being that if done correctly at the outset, it significantly reduces the amount of time later to deploy the function. By the same factor. 8X. By way of example imagine a large Distribution board. The electrical board that is found in most homes. The DB board is where all the circuits meet. In the DB board you can flick up a switch to switch on your stove. That is configuration in an IT world.

Development on the other hand is the equivalent of putting that switch into the DB board. You must run a wire from your stove, through the kitchen wall, and chafe one wall. It comes with a lot of effort and with risk. You see whilst they are installing that stove switch someone touches another wire in the roof and this causes a short. So now we have tested the various lines to find the issue. So, favour a configuration toolkit. It will de-risk the project. It will also allow for the training of staff on an already existing piece of functionality. But the biggest attribute is that it works.

On our continent. We desperately need to train up, educate and build up significant internal skill within our organizations so we can create a sustainable insurance ecosystem for us all. I mean, if we have what we have today at a 2% insurance penetration rate on the continent in terms of skills and resources, and we are targeting the 14% penetration rate. That is a growth of 5X. We must rely on heavy lifting technology for some of it, but we also must rely on our people.

I am an African. Our business is African. If WE can build and deploy tech… against all odds…while everyone told us, we could not. Then WE all can.

INSURTECH: A MARKETER'S PERSPECTIVE

Gavin Peters, the VP of Marketing at Genasys Technologies shares some thoughts on Insurtech and how the market is developing.

Tony: Insurance has changed significantly over the years, with radical innovations. At the same time, there has also been a lot of change in the technology world. Do you think that insurance innovation follows technology development or does technology development follow insurance innovation.

Gavin: So as the VP of marketing at Genasys, and previously a CMO (Chief Marketing Officer) of another tech company outside of the insurance industry, it has always been my role to look at what the customer needs. So, here at Genasys, I really look at what our customers require from a technology provider, and perhaps more importantly, what their customers are looking for because ultimately we are selling B2B to C software. We have to have a deep knowledge of what end-consumer expect from a modern insurance solution. So, when I look at it through that lens, it is pretty clear that it is the insurance industry following the customers who are following the technology. Innovation is coming as a response to a change in expectations, which as occurred because of the kind of technology that is out there in everyday life.

"Innovation is coming as a response to a change in expectations, which as occurred because of the kind of technology that is out there in everyday life."

Not through insurance, but just through the digitisation of our world, whether that is through entertainment, purchasing, retail, healthcare or whatever. Mobile connectivity and data, amongst others, have changed the customer landscape, whether you are doing B2C or B2B. People just expect a different kind of solution to what they might have wanted even 10 years ago.

Expectations of what a transaction or a relationship with an organization of any field should look like has changed fundamentally. They expect "always-on", seamless digital experiences with everything they do, and therefore insurers must react to that.

Tony: From a marketing perspective then, where you look at things in terms of the client behaviour and what they need, et cetera, what do you see over the next decade in this landscape?

Gavin: Well maybe the "hype" in a formal sense around insurtech is now fading, but only because it is becoming the norm. We call it Insurtech at Genasys because it helps describe what we do to the insurance industry, and it does describe that the solution we provide is quite different to what insurance has been used to in the past.

But you do not order something online from a shop and call that Retailtech. You just call it retail. It is just what it should be. So, how will it change in the next 10 years?

I would say a rapid move towards the cloud for service providers and insurers, making sure that everything is fit for the modern world but I say "rapid" by insurance standards! I see it as an evolution rather than sudden transformation, because the insurance industry changes slowly, understandably so because it is very complex. There are a lot of compliance and legacy issues built into the industry. Relative to this industry however, there is a rapid shift now towards digitization because there are still a lot of players who have started making the move but have not got to where they need to get to.

Once that has become the norm then you will start to see how we can really use it. And that means how do insurers share data with a wider eco-system to create new ways of adding value? How do they really do things like personalization? For example, I do not see personalization in the same way that you would see in retail or other industries, but in a very specific way: such as how do you provide true multi-channel services, and make them highly relevant to the person buying them, without adding friction. I think then it will start to move on from a basic transactional relationship to more risk management and risk mitigation because that is essentially what customers want; they want to buy peace of mind and reassurance. They do not want to buy a policy that they are actually going to have to claim on. So insurance is a different kind of product experience, and it will move towards solving the real problems people are looking to solve: not making a claim, but reducing their risk. But we are some way off from where it can get to. First thing is that, in the next 10 years, people will have to get the modern infrastructure in place.

Tony: There is a big shift around here in South African market, especially the broking environment, to risk management as the focus rather than providing insurance. The insurance is there to back up, but you provide risk management, of which insurance is an essential part.

Gavin: Tech enables that in certain ways because obviously there is more information available. We all know about the internet things and tracking devices, for example.
That shift can also help manage premiums and how much you pay while also lowering the risk of things happening, which is what the customer is really looking for. It is an interesting concept when you think about what you are buying - there are few industries where you buy a product that you never want to use. So that is not really a very marketable product, but something that lowers their risk is. When you are actually mitigating risks you open up ways to add real customer value to that relationship. That's going to be a huge shift in the way the industry perceives what an "insurance" company is for.

WIMPIE VAN DER MERWE

CEO, Global Choices

OUR NOBLE PURPOSE IS TO PROTECT THOSE WHO NEED US

Since ancient times insurance has played a vital role by providing financial protection when people need it most. For us working in the industry, we know that insurance is a noble profession. It is important that our customers and society should feel this as well.

Nobility means virtue, integrity, honesty, and truthfulness. Insurance offers a noble value proposition for customers. Its main objective is protecting people, businesses, and communities in time of need to provide a "halo effect" that establishes the foundation of a noble purpose.

ACTIVATING A NOBLE PURPOSE

"Noble Purpose" is not a value statement, code of conduct, pay-off line or social responsibility initiative. Rather, a noble purpose is standing for something bigger than your business. It is a mindset. It is your reason for existing and your company's vision for the future. A noble purpose involves activating a customer-driven methodology to assist where you are needed and fast-track revenue growth. Ultimately it leads to increasing competitive differentiation and ignites emotional engagement.

In business, every employee should be in the service of adding value for customers. Our noble purpose strives to improve the customer's condition, ask questions and have internal conversations about customers. We need to ask questions like "how can we have a bigger impact on our customers?", "how we can deliver more value?", "what is the next big new thing our customers will need?" or "what will make a difference to our customers?" A noble purpose is to have an agenda to make a difference to customers, to improve customers' lives and to change society. I believe innovation is not created by people with the sole objective of profit, but by those who work with a transformational purpose.

INNOVATE AROUND CUSTOMER VALUE

It is important for insurers to understand the new challenges and changes customers face and to gain insight into the impact of what we do on customers' financial, physical, and mental health. As customer needs continue to evolve, insurance companies can simultaneously evolve to provide protection for those needs. The demand for new protections and financial well-being solutions cannot be ignored. Millennials and Gen-Zers increasingly desire seamless user experiences, omni-channel, multi-channel, and real-time interactions integrated with their digital platforms. They want digital offerings that include other products and services that they can use to manage their lives. It is important to remember that the customer and employee demographic combination will change dramatically between now and 2030, when digital natives will make up half of the adult population of the world.

Insurers will need to balance the needs of this new and younger generation with those of older ones, including the Gen-Xers and baby boomers who do not have the same preferences or aptitude for digital interactions. It must be seized vigorously and creatively, with new solutions and distribution options that are aligned with their needs and preferences. It is the moment of truth to introduce to this generation the value of insurance and prepare for future financial shocks, and to lay the foundation for long-term relationships. This rapidly changing nature of home, work, business, and family is erasing the conceptual lines that kept insurance “traditional”. This new generation has made significant lifestyle shifts and choices, which are outpacing the older generations in all aspects. This will require very diverse risk needs that need different insurance solutions.

THE GREATER PURPOSE OF INSURANCE

American carmaker Henry Ford was quoted saying that: “New York is not the creation of men, but that of insurers. Without insurance, there would be no skyscraper, because no worker would consent to work at such height, risking a fatal fall and leaving his family in poverty.

Without insurance, no capitalist would invest to build such buildings, which a simple cigarette butt can burn to ashes.” Insurance is not just protecting people, businesses, and communities in time of need, but its greater, noble purpose is to ensure that those it protects can carry on contributing to society.

THE CHANGING ROLE OF THE CISO

IN A DATA-DRIVEN WORLD

The role of the Chief Information Security Officer (CISO) used to be purely focused on managing security problems and risks, without much involvement in the strategy side of things.

However, in a world where data and information are critical business assets and the lifeblood of a digitally-driven enterprise, this needs to change. The role of the CISO can no longer operate in isolation from the rest of the C-suite and focus solely on security. Understanding the business, the data that drives the business, and how this data needs to be available as well as managing it effectively for productivity, security, and compliance purposes, must become a critical part of the discussion.

BUSINESS AND DATA ARE INTRINSICALLY LINKED

The challenge CISOs face today is finding the balance between protecting data as far as possible while still allowing the business to be productive. There is no point in locking the data down so tightly that nobody can do their job. At the same time, there are compliance issues that need to be considered. Data is also inherently complex, and not all data holds equal value to the business, and different types of data require differing levels of protection based on their sensitivity or strategic importance, for example.

At the same time, the focus is not on security as such, but on how data supports business goals. Without effective data management, this becomes an impossible ask. If you do not know what data you have, where it is stored, for what purpose, and how it is applicable to the business, then it cannot be effectively secured, nor can it be made available for analytics and to drive business decision making.

ACROSS THE BOARD

The CISO needs to be involved in the development of disaster recovery plans, and there needs to be a clear line of responsibility. At the same time, the CISO needs to be empowered to guide corporate decisions around data, while maintaining awareness of compliance regulations and working with the legal team to ensure adherence.

"CISO needs to be empowered to guide corporate decisions around data"

The role no longer involves just IT security it has become one that touches all areas of the business and is increasingly complex. This complexity is compounded by the need to also manage third-party suppliers, who are often the source of data breaches, as recent history has shown. The CISO then also needs to perform due diligence on third-party providers to ensure that they have the right frameworks and securities in place and follow correct processes to ensure data is safeguarded according to corporate requirements.

THE BUCK STOPS WITH THE CISO

While the role of the CISO has evolved, they remain ultimately responsible for information security, and in today's world, this has become a secondary function of data management. The CISO needs to be involved in the data management strategy from the start, because data is critical to security as it is frequently the target of attack today. Data management, data security and disaster recovery need to be carefully planned and regularly tested, with roles and responsibilities clearly defined and monitoring tools in place.

An expert managed service provider can be invaluable in identifying vulnerabilities, defining critical data, and developing effective plans. In addition, in the event of an incident or data breach, they will be able to implement the recovery plan quickly and effectively to minimise business impact. The role of the CISO is more complex today than ever before, but a specialised data management partner can help simplify it and ensure data is managed and secure without affecting business productivity.

EVENTS

" Networking is an investment in your business. It takes time and when done correctly can yield great results for years to come. "

- DIANE HELBIG

44th OESAI Conference
Zanzibar, Tanzania

FUTURE PROOFING THE INSURANCE INDUSTRY, FOR SUSTAINABILITY

The Tanzanian insurance industry hosted a fantastic 44th edition of The Organisation for Eastern and Southern Africa Insurers in Zanzibar.

According to Mzee Mama Margaret, Chairperson of the Tanzania Local Organising Committee, the Tanzania Insurance Industry has been growing both in terms of numbers of players and now has 33 Insurance Companies, 2 Reinsurance Companies, 3 Reinsurance Brokers, 86 Brokers and over 600 agents, including Bancassurances. Gross written premium in 2021 was TZS 923.5mil.

On behalf of the Tanzania Regulatory Authority and the insurance community in Tanzania, Tanzania Insurance Regulatory Authority CEO, Dr BaghayoAbdallah Saqware, welcomed all the delegates attending the conference. In his opening address, he said: "The pandemic and other emerging risks that the continent is facing are creating challenges for the industry and providing opportunities to create new products and services for our clients. The 44th OESAI Annual conference theme, *"Future proofing the Insurance industry, for sustainability"* is apt for the environment in which we are doing business."

The following three days saw a variety of speakers and panel discussions, tackling topics such as, The Future of Insurance, by Tavio Roxo, CEO of Owls Software. He stated that "the bottom line is that the future of insurance, very much, hinges on technology". His warning to the industry was clear: "It is going to be increasingly difficult for you to, as an insurer or a UMA or as a broker, lean on and utilize technology later. You need to start the journey now by engaging with technology providers. You need to start engaging with technology resources within your organization, and you need to start mapping out a digital framework or technology framework, which you are going to adopt over the next few years. It must be intentional; it cannot be haphazard."

On the topic of IFRS 17 Compliance, Equisoft's Shingie Maramba said that to be ready for 2023 you ideally need to have completed. your implementation in 2022 to generate the results for the 12-month transition period. During that year leading up to final launch, you need your solution up and running so that it can generate the required data and reports. This gives a carrier time to compare the new outputs against IFRS 4.

Problems can be identified, and corrections made, before the solution goes live. He concluded that there will unlikely be any more extensions. The start of the IFRS 17 comparative period is now less than one year away. Putting off your compliance initiatives is no longer an option.

Businesses and communities along parts of the east coast of South Africa were devastated by catastrophic flooding. What was once a relatively well-defined risk has become more erratic, if not unprecedented, meaning effective business continuity planning is more vital than ever, said Allianz Global Corporate & Specialty (AGCS) South Africa CEO Thusang Mahlangu in his presentation. According to Thusang, the flood risk landscape, previously well defined by historical and government flood maps, and to some extent local knowledge, is being challenged with erratic and unprecedented weather patterns.

FLOODING IN FIGURES:

- US$1trn estimated flood damages worldwide since 1980, only 12% of which were insured
- 181% increase in annual average reported flood events since 1980
- 2.2bn people live in locations expected to experience inundation during a one-in-a-hundred-year flood event
- 25 new countries could be added to the 32 already experiencing increasing floods by 2030 as a result of climate and demographic change

Callinggod Temuspoke about Capacity Building in the wake of African Free. Trade Areas (ACFTA) According to Callinggod, the operational phase of the AfCFTA was launched during the 12th Extraordinary Session of the Assembly of the Union on the AfCFTA in Niamey, Niger on 7 July 2019. Start of trading under the AfCFTA Agreement began on 1 January 2021; however, no trade has yet taken place under the AfCFTA regime.

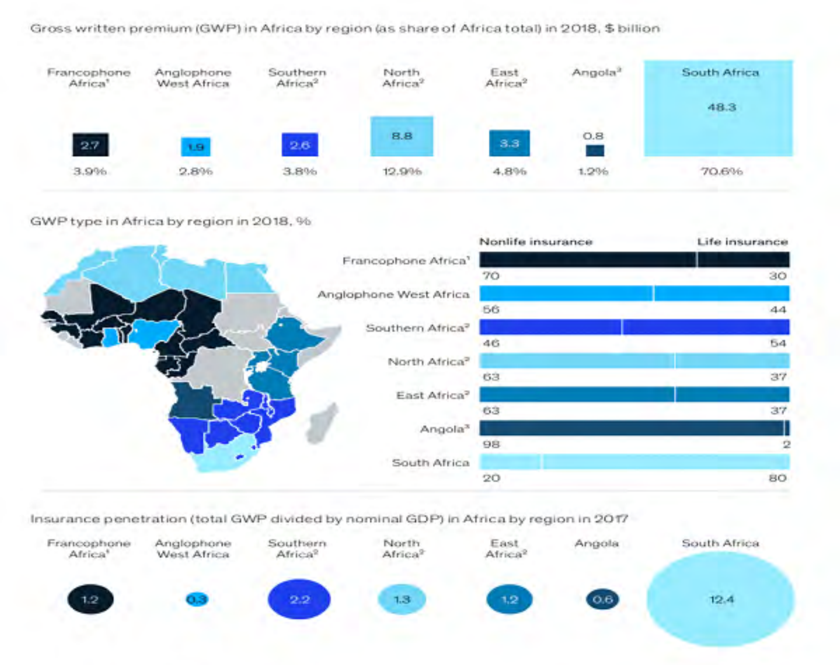
Accelerating intra-African trade and boosting Africa's trading position in the global market by strengthening Africa's common voice and policy space in global trade negotiations. African risks unreasonably sometimes ceded to other continent and reduced much on premium retained. In his presentation he mentioned that amongst the major challenge faced by reinsurance and insurance organizations in Africa is the shortage of skilled talents in core jobs despite of capital constrains. To be more precise, many youngsters in Africa are also not growing in the manner that see insurance studies as professional after secondary school rather they just found it accidental on their ways.

Amir Hussain, Senior Underwriter, Political & Credit Risk, Africa Specialty Risks addressed the topic, De-risking Investment and Trade in Africa. He said that today, Africa finds itself facing a plethora of political and geopolitical events which need to be protected against for businesses to flourish, attract new investment and for governments to function. Whilst Africa is abundant in natural resources, from hydrocarbons to metals and minerals as well as large volumes of underutilised arable land, the continuing inability to add value to such exports results in persistent trade deficits. He mentioned that he is excited about: "the growing resilience of its economy. Demand for minerals that power the battery economy is strong. Healthcare and ICT including digital infrastructure continue to be promising with demand from fast growing populations as well as increasing IT savvy amongst Africa' young population. A McKinsey & Company report highlights that Africa contains nearly 60% of the worlds uncultivated agricultural land as well as having the potential for circa 30-50% higher yields."

In a very interesting presentation, Anselmi Anselmi of the African College of Insurance and Social protection, unpacked some facts and figures of the African insurance markets. He started off with some population figures, mentioning that with the poverty ratio declining from 38%, hovering around 32% (close to 460m people), Africa has a population of 1 billion that has the ability to buy insurance (effective demand). If we are to design a $ 70 life assurance product for all our people there is a potential for $ 70bn from life assurance only.

The insurance industry in Africa for the period of fifty years 1972 – 2021 collected an estimate of USD. 1.411 trillion. If we estimate the average premium of 3% across the risks it would mean a total of USD 47.033 trillion was protected by insurance. Thus, in this period of growth in Africa, insurance played its key roles of guarantee, organization, investment and risk management. Insurance services form part of the integrated world of global finance. It played a crucial infrastructural and commercial role in the Continent's economy. From an infrastructural perspective the provision of insurance services is closely linked to macroeconomic factors such as inflation, national economic policies and the achievement of national development objectives. This is particularly important since a well-functioning insurance sector promotes financial stability.

Figure 1.2 Below shows the trend of insurance premium in africa as estimated from 1972 to the year 2021.



Anselmi went on to say that Africa has an average insurance penetration rate of 2.8%, presenting a big untapped market opportunity for companies interested in providing affordable insurance products suitable for the mass market.

NOT ALL WORK

The event was not all work and no play. With Zanzibar's stunning beaches, lively nightlife, and vibrant sea life, there were lots of entertainment on the cards. Festivities kicked off with a welcome cocktail function at the Madinat Hotel, hosted by The Association of Tanzania Insurers (ATI).

#whyCIB?

Understanding your world, we offer insurance done properly, in a personalised way.

Who we are

- One of the **largest Underwriting Managers** in South Africa
- Focused on **short-term insurance,** across Personal, Commercial and Niche classes
- **Entrepreneurial** mindset
- One of the **lowest claims rejection rates** in the industry
- We partner with **like-minded brokers**
- **200%** growth rate in the last 10 years
- Over **R1.6 Billion annualised premium** income
- Premium increases **below inflation** every year for the last 5 years
- Guardrisk, our license carrier is a **level 1 B-BBEE contributor**

Broker **benefits**

- A wide **product range and competitive pricing**
- **Tailored solutions** to suit broker and clients' needs
- **Country-wide** footprint
- Personal attention through **dedicated Portfolio Managers**
- Focus on **risk management**
- Ease of access to a **state of the art IT platform** for policy and client administration
- Easy access to decision makers and speed of decisions

Quality

Service Excellence

Personalisation

What makes us **different?**

- Our suppliers adhere to our standards of excellence and share in our vision
- Exceptional turn around times with consistent and efficient claims processes
- Comprehensive underwriting processes upfront to ensure peace of mind and no underwriting at claims stage
- Our diverse product range with regular product updates, keeps us relevant and abreast of the competition
- Ensuring we provide diverse expertise and technical skills throughout CIB, resulting in the best possible service to brokers and clients alike

Broker **testimonials**

- "We are extremely proud to be associated with such a company!"
- Riana Wiese, PSG Meesterplan
- "CIB makes it very hard not to do business with them"
- Greg Brits, Jurgens Group
- "CIB is committed to establishing long term relationships and continue to raise their level of service to brokers. Their open communication policy makes it easy to do business, engage in high level discussions and find solutions for all parties involved."
- Wickus van der Walt, FNB Insurance Brokers
- We would like to express our appreciation to the CIB directors and all their staff for their high standard of service and support. Always going the extra mile and taking the time to listen to our needs.
- Féthon Zapheriou, Insurisk

We understand the broker's world, ensuring long-standing relationships.

Personal	Commercial	Specialised Buildings	Agriculture	Franchise	Marine	Engineering	Motor Fleet	Culinary

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HIGHLIGHTS OF THE IIWC GOLF DAY

The much anticipated Arabella Golf Day took place on the 01st and 2nd of September 2022 at the picturesque Arabella Golf Estate. The event was a success with stunning weather, attentive staff, and quality food!

We wish to congratulate the wining team comprising of Richard Arends, Segon Martins, Robin Fortune, and Alister Harrison. A tough team to beat. The day would not be possible without our amazing sponsors, special thank you to Bryte, CIB, Dryforce, Genasys, IUM, Netstar, Cover Magazine, Discovery, Auto and General, Hollard, Diamond Jewellery International and One Loyalty.

The evening was celebrated with a plated dinner fit for a king followed by prize giving and an auction to raise funds for our charities. We would love to make this an annual event and hope to see you all there next year!

EVENTS TO LOOK FORWARD TO..

IRMSA ANNUAL AWARDS 2022

The Institute of Risk Management South Africa (IRMSA)'s annual awards acknowledge the achievements made by members that continue to LEVEL UP in their risk management roles and within their dynamic teams. Nominations close on 31 October 2022.

Submit Nomination!

THE 80TH ANNUAL IIG DINNER

We would like to continue in that spirit and invite you to #ShowUp to Africa's largest insurance event where professionals, leaders & captains of our industry will gather to share their passion for this market in a final send-off to 2022. Register here.

INSURTECH 2022: TECH WHEN NEEDED HUMAN WHEN WANTED.

We are excited to announce that the second installment of Insurtech2022 is scheduled for November 25 and 26 2022.

Save the date!